Supreme Court, U.S.
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NO. _____

IN THE
Supreme Court of the United States
OCTOBER TERM 1997

MARVIN R. JONES,
Petitioner,

v.

COOPER INDUSTRIES, INC.
Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE SUPREME COURT OF TEXAS

PETITION FOR WRIT OF CERTIORARI

John Feather
950 Echo Lane, Suite 180
Houston, TX 77024
TEL: 713-827-1054
FAX: 713-827-8326

Mark J. Henry
Staas & Halsey
700 11th Street, N.W., Ste. 500
Washington D.C. 20001

Attorneys for Petitioner

Alpha Law Brief Company • Houston, Texas • (713) 270-6604

112 pp.

QUESTION PRESENTED

May state courts divest an inventor of his patent grant by ignoring the title transfer and recordation provisions of the federal patent law and the terms of written instruments in compliance therewith and thus discourage invention in contravention of Congressional intent contrary to the supremacy clause of the Constitution of the United States?

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To the Honorable Supreme Court of The United States:

Petitioner, Marvin R. Jones, respectfully requests this Court to issue a Writ of Certiorari to review the judgment of the Supreme Court of Texas affirming the judgment of the Court of Appeals for the Fourteenth Court of Appeals District at Houston, Texas, and the judgment of the trial court, in favor of Respondent, Cooper Industries, Inc. The parties will be referred to as "Jones" and "Cooper". Cooper may have had at relevant times a nonwholly owned subsidiary or affiliate known as "Cooper Cameron Corporation". The successors in interest to Jones and the predecessors in interest to Cooper under the agreement in suit will be referred to as "Koomey", unless the context requires greater specificity.

Opinion Below and Jurisdiction

The judgment of the trial court was against Jones (Appendix 1a-5a). An appeal was perfected. The judgment and opinion of The Texas Court of Appeals (Appendix 6a-21a) were filed on December 12, 1996, affirming the trial court. *Jones v. Cooper*, 938 S.W. 2d 118 (Tex. App. Ho. [14th Dist] writ denied, 1997). A Motion for Rehearing was denied (Appendix 22a) and an Application for Writ of Error to the Supreme Court of Texas was timely filed on March 17, 1997. The Application for Writ of Error was denied on July 31, 1997 (Appendix 23a-24a). A Motion for Rehearing was overruled on September 11, 1997 and this Petition for Writ of Certiorari is being filed within 90 days of that date. (Appendix 25a-26a) The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1257 on the ground that the law of the State of Texas dealing with the transfer of patented inventions as reflected in the opinion of Court of Appeals is repugnant to the Constitution and patent laws of the United States.

Constitutional and Statutory Provisions

United States Constitution Article I, Section 8, Clause 8:

> The Congress shall have power....To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries;

United States Constitution, Article VI, Clause 2:

> This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States; shall be the Supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

35 U.S.C. §261:

> §261 Ownership; assignment
> Subject to the provisions of this title, patents shall have the attributes of personal property.
>
> Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent, or patents, to the whole or any specified part of the United States.
>
> A certificate of acknowledgment under the hand and official seal of a person authorized to administer oaths within the United States, or, in a foreign country, of

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a diplomatic or consular officer of the United States or an officer authorized to administer oaths whose authority is proved by a certificate of a diplomatic or consular officer of the United States, or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles of designated officials in the United States, shall be prima facie evidence of the execution of an assignment, grant or conveyance of a patent or application for patent.

> An assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage.

Statement of The Case

Jones sued Cooper in the 113th District Court of Harris County, Texas, for an accounting for amounts due from Cooper to Jones under the Patent Rights Agreement of October 1, 1981 (the "Patent Rights Agreement", Appendix 78a-87a) covering patents in which Jones is an inventor and to which Cooper claims title. The District Court peremptorily entered judgment in favor of Cooper that Jones take nothing. An appeal was perfected. The appellate process in the Texas courts resulting in a final judgment of the Supreme Court of Texas and in this petition has been set out above.

Pursuant to the Patent Rights Agreement, Jones agreed to assign the title to certain patent rights to Koomey with respect to inventions related to oil field blow-out preventers. In the Agreement, Jones retained the right to receive royalties and other amounts payable by the owner of the patent rights and resulting patents for the duration of the

time during which the owner and its successors held legal title to any issued patents and to a reversion or reverter upon termination. All of the foregoing were conditions to the grant and holding of title. The Patent Rights Agreement extensively contemplated a joint development effort over its entire term, which extends through the expiration of the youngest of the subject patents. Jones has performed all of his obligations under the Agreement and it has never been terminated.

Confirmatory or specific assignments from Jones to Koomey were made with respect to the patents that issued on inventions subject to the Patent Rights Agreement. Pursuant to 35 U.S.C. § 261, these confirmatory or specific assignments were recorded in the United States Patent & Trademark Office. These recorded assignments expressly referenced the Patent Rights Agreement. Each patent issued by the Patent & Trademark Office reflects on its face that Jones was the inventor and had assigned his rights to the inventions to Koomey, his original assignee.

In addition to the royalty and the reverter reservations, other provisions of the Patent Rights Agreement particularly germane to the present dispute will be discussed below. It is undisputed that the Patent Rights Agreement has never been terminated by Jones or by Koomey or by any successor-in-title to Koomey, including Cooper.

The chain of title through which Cooper claims title to the subject patents begins with the Patent Rights Agreement executed by Jones. Under the United States Constitution, only natural persons can be granted patents (Jones in this case) and consequently the title to all patented inventions must originate with a natural person (Jones in this case). Koomey took from Jones and subsequently transferred the patents and patent rights under the Patent Rights Agreement to First City National Bank of Houston ("First

City") as collateral for a loan made January 28, 1985. This security agreement was recorded in the Patent & Trademark Office at Reel 4366 pages 402-17.

Koomey subsequently defaulted, and by agreement First City sold the subject patents to a corporation named "PB-BOP, Inc." organized soley for the purpose of holding the patents during the Cameron Iron Works litigation described below, with the full actual knowledge and acquiescence of Koomey, Cameron (Cooper's predecessor-in-interest) and Cooper. It is undisputed that Cooper has had full knowledge of the Patent Rights Agreement and the chain of title through which it claims the subject patents by assignment from PB-BOP, Inc.

In 1983, Jones, Koomey and others were sued in *Cameron Iron Works, Inc. v. Koomey Blowout Preventers, Inc.*, Cause No. 83-67214 in the 281st Judicial District Court of Harris County, Texas (the "Cameron litigation"). Cameron, among other things, asserted ownership to only one of the subject patents. During the pendency of the Cameron litigation, as mentioned above, by the prearrangement of the parties, PB-BOP, Inc. was organized, acquired the subject patents and intervened in the Cameron litigation. Cameron was acquired by Cooper. Prior to the settlement Cooper became the real party in interest. As a part of the settlement of the lawsuit, PB-BOP, Inc. assigned the patents it held under the Patent Rights Agreement to Cooper. Cooper signed the Settlement Agreement.

Pursuant to a reservation in the Agreed Final Judgment in the Cameron litigation, Jones subsequently sued Koomey, for unpaid royalties in an action styled *Marvin R. Jones v. Koomey Blowout Preventers, Inc. et al.*, Cause No. 91-029277 in the 190th Judicial District Court of Harris County, Texas on June 8, 1991 ("the Koomey litigation").

Cooper was not a party to this action; however, during the time the suit was pending, Cooper held title to the patents subject to a license to a party to the Koomey litigation. This lawsuit eventually settled, and Jones reserved his rights against Cooper and released only Koomey down to April, 1994 and not thereafter. Consequently, this suit ensued against Cooper.

Reasons For Allowing The Writ

This case is of critical significance in the jurisprudence regarding the transfer and ownership of intellectual properties, in particular United States Patents. Among other things, a state court of last resort had decided an important federal question in a way that conflicts with a United States Court of Appeals. Jones has been effectively deprived of his patent grant. The states are free to regulate the transfer and ownership of intellectual property, but only in a manner not inconsistent with federal law. Consequently, this case warrants the grant of the Petition and consideration by this Court.

Involved is the payment of royalties as a condition of holding title of one or more of a group of patents originally assigned by the inventor, through writings recorded under federal law, to the original predecessor in title to the party currently claiming in the chain of title to the patents. Thus, it involves the important interface between the United States Constitution, the federal patent statutes and state law. The patents were validly issued and assigned by the inventor under a written agreement that provided, *inter alia*, for the payment of the claimed royalties by the holder of title to the patents. While the construction of written agreements and assignments relating to patents is governed by state law, the scheme for ownership and subsequent record title to this unique form of personal property are the subjects of the

federal Constitution and statutes. The federal scheme for issuance and transfer of patents pre-empts state law.

Inventors are encouraged under federal law to disclose their inventions for exploitation by the prospect of being able to retain and receive royalties throughout the life of their patents. In the increasingly important area of the ownership of intellectual properties, the denial of the Application For Writ of Error by the Texas Supreme Court has left the erroneous judgments of the lower courts as the law in Texas, contrary to th United States Constitution and the provisions of federal patent law governing the ownership of patents pursuant to written assignments constituting record title.

The undisputed, recorded chain of title through which Cooper claims title to the subject patents begins with the Patent Rights Agreement executed by Jones and thus all of its terms. Cooper can only claim and assert title to the subject patents through the same recorded chain of title through which Jones claims his retained royalties. Only a natural person, an inventor such as Jones, can be the origin of ownership of the subject patents under the United States Constitution and federal statutes implementing the purpose of Article 1, Section 8, Clause 8, which was to encourage invention and the disclosure of inventions by securing inventors the exclusive economic right to their inventions for limited times. By an agreement in writing, Jones agreed to assign his inventions and all patents granted thereon to Koomey, subject to the reservation of a royalty to be paid in the future during the term of the Agreement, as well as other rights regarding the subject patents. Specific assignments by Jones referring to his Agreement were filed in the United States Patent Office under 35 U.S.C. §261.

Although 35 U.S.C. § 261 provides that patents shall have the attributes of personal property, it does so subject to the provisions of Title 35 of the United States Code, including the balance of §261. This section of Title 35 pre-empts state law and adopts the principles of real property recording acts regarding conditions of holding title found or referred to in the record of title. Consequently, all assignees in the chain of title take title burdened with the restrictions, limitations and obligations to which the patents are subjected by the chain of title, particularly those imposed by the genesis of title, the inventor. These conditions of title cannot be abrogated by state law.

The record title was asserted by Jones in the trial court (Appendix 27a-30a). Without the expression of any specific basis for doing so, the trial court granted peremptory judgment against Jones on his claim for the reserved royalties (Appendix 1a-5a). Then for the first time in the process, the Court of Appeals, relying upon §261 and the "attributes of personal property" language, abrogated the assurances provided for inventors in the transfer of patents. Contrary to assertions by Jones (Appendix 31a-52a), the basis for the judgment of the Court of Appeals was a determination that because patents have "the attributes of personal property" and conditions of title have no perserverance through record title as to personal property, unless expressly assumed by subsequent assignees, Jones could not recover unpaid royalties from Cooper.. (Appendix 9a-13a). The Texas courts pay lip service to the federal law in 35 U.S.C. § 261 and proceed to ignore its purpose. The Court of Appeals quotes the beginning language of §261 and cites the Federal Circuit, but completely ignores other language in the Federal Circuit opinions that characterize §261 as adopting "the principle of real property recording acts". Although the state law governing the interpretation and construction of deeds, contracts, assignments and other written instruments applies

to written agreements relating to and assignments of patents, that law may not disregard the essential federal law enacted by Congress pursuant to the Constitutional enablement for a patent system. The statute providing that patents shall have the "attributes of personal property", which was claimed as the foundation for the analysis of the Court of Appeals, also provides for the recording system that creates a record title to patents charging subsequent owners with the obligations of record or referred to of record. In 35 U.S.C. § 261, Congress has provided that, although patents have the attributes of personal property, they "shall be assignable in law by an instrument in writing" (like real estate) and "An assignment, grant or conveyance shall be void as against any subsequent purchaser... for valuable consideration, without notice, unless recorded..." (like real estate). It is axiomatic that whatever burdens, restrictions or limitations are placed on record title bind all subsequent parties taking record title. A party cannot transfer more than it has. Congress having so provided, the effect cannot be varied by state law. While patents are accorded the attributes of personal property, perhaps uniquely, they are also accorded the type of record title protection commonly accorded to real estate.

In the very case relied upon by the Court of Appeals, *Film Tec Corp. v. Allied Signal, Inc.*, 939 F. 2d 1568, 1572-74 (Fed. Cir. 1991), the Federal Circuit made use of the real estate analogy to describe the patent recording statute. The Court in *Film Tec Corp.* expressly characterizes 35 U.S.C. §261 as being a statute that "adopts the principle of the real property recording acts...". This is, of course, the same statute that says that "patents shall have the attributes of personal property". The Federal Circuit explains the rule by stating "This is an application of the common law bona fide purchaser for value rule". That rule applies equally to personal property and real property. There would be no need for the rule unless there were interests or restrictions

affecting title or running with title that should be cut off without recordation or notice. A party cannot transfer a greater interest than it has, unless there is a failure by a prior party to record a restriction, limitation or obligation. The purpose of recording is not simply to provide the identity of prior owners, but to provide the identity of the character of title as well.

All rights in the subject patents can only flow from Jones to subsequent holders of title to the patents through the Patent Rights Agreement. That is incontestable. It is so basic that it defies contest. It is constitutional and does not depend upon whether a patent is real property or personal property. Jones is an inventor on all of the subject patents and consequently the genesis owner. Once issued by the sovereign, all title to the subject patents must emanate from Jones, through record title, on the terms specified by Jones in the Patent Rights Agreement, pursuant to which the patents were assigned. By Congressional enactment, the foregoing principle applies to patents which are personal property, although it also applies to real property. No rule of law prohibits Congress from so applying such principle, while in the same statute stating that "patents shall have the attributes of personal property". The unique nature of patent property has been recognized by this Court. The property is uniquely designed to accomplish a Constitutional purpose. That was not changed with the inclusion of the "attributes of personal property" language in § 261 of the statute. The patents here are the constitutionally protected mindwork of Jones under the federal patent law.

The statutory scheme enacted by Congress to implement the system of issuing or granting United States Patents (Title 35, United States Code) was enabled by the United States Constitution, Article I, Section 8, Clause 8. The words "Authors" and "Inventors" refer to only natural

persons. Congress implemented the Constitutional intent expressed in Article I, Section 8, Clause 8 by the legislation that is now Title 35 of the United States Code. Consequently, as to patents, Title 35, §261 of the United States Code became a part of the supreme law of the land under Article VI, Clause 2. Patents have the attributes of personal property only "Subject to the provisions of this title....", in particular the remainder of §261of Title 35. Inventorship provides the starting point for determining ownership of patent rights. Thus, for example, 35 U.S.C. § 152 further provides that "Patents may be granted to the assignee of the inventor of record in the Patent and Trademark Office, upon the application made and the specification sworn to by the inventor, except as otherwise provided in this title." This procedure was followed by Jones and Koomey, under and subject to all of the terms of the Patent Rights Agreement. Hence, the issued patents, on their face, show Jones as "inventor" and Koomey as "assignee".

The system established by Congress to implement the Constitutional intent includes more than the standards for patentability of inventions and the process to be used in applying for and obtaining the issuance of a patent on patentable inventions. The system includes provisions for the transfer of inventions and issued patents. The Constitutional intent was "-- to promote the progress of ---- useful arts by securing for limited times to -- inventors the exclusive right -- to their inventions". The "exclusive right" manifests itself in potential economic realization from commercial exploitation of the invention. That realization, most often depends upon there being available the necessary financing to commercially manufacture and sell the invention. Most independent or employee inventors do not personally have the financial resources. Consequently, an arrangement must be made by the inventor with a party having or being able to obtain the necessary resources for exploitation. Such parties

are frequently not willing to provide the exploitation resources and pay the inventor the present value of the invention "up front" so to speak. The inventor must wait and receive his compensation in the form of a future royalty based upon the sales revenue from the commercial exploitation of the invention. The exclusive right to participate in any economic realization now lasts for 20 years from the date of the filing of a patent application. If the invention is diligently commercialized, the inventor realizes a part of the resulting revenue stream (usually a percentage). On the other hand, if for some reason, the manufacturer determines not to actively exploit the invention, it frequently has to pay the inventor a fixed minimum royalty agreed upon in advance. To secure to the inventor that exclusive right, Congress has established a basic system of transferring patent rights as a matter of federal law.

First, each transferee, is on notice. As with any record title to any property, the notice is not solely the identity of prior owners, but more particularly the character of their title to the property. The transferee is entitled to know if the title of a prior owner was limited, restricted or conditioned in some manner. However, it is not solely for the protection of subsequent transferees. The prior owners are entitled to rely upon the record of limitations, restrictions or conditions that they impose on the transfer of title, without having to monitor all subsequent transactions and attempt to insist on express assumption by the transferee. 35 U.S.C. §261 is such a recording statute and its application is a matter of federal law.

Beyond argument, federal law has pre-empted state law in the regulation of intellectual property, particularly patents. *Bonito Boats Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 109 S. Ct. 971, 103 L.Ed. 2d 118 (1989). *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 99 S.Ct.

1096, 59 L.Ed. 2d 296 (1979) involved a written agreement providing for royalties (even if a patent did not issue) and the extent to which state law has been pre-empted by federal patent law. The Court states that state law cannot stand as an obstacle to the accomplishment of the federal purpose. The patent law seeks to foster and reward invention and promote disclosure of inventions, and, thus, to stimulate further innovation and to permit the public to ultimately practice the invention when the inventor's exclusive right expires.

The federal patent law seeks to promote and reward invention. The manner in which the recording statute and the Patent Rights Agreement were treated by the Texas courts discourages invention, unconstitiutionally conflicting with federal policy. Invention is important in the United States, particularly today. If an inventor such as Jones cannot rely upon the survival of future royalty provisions as conditions of title to reward his inventiveness, then invention is discouraged, not fostered. As stated earlier the classic, traditional means for rewarding invention is the future royalty mechanism which allows for the assignee to bear the expense of exploitation while enjoying the patent monopoly and compensating the inventor over time. To the extent the invention is economically successful either by generating substantial revenues or by allowing the patent owner the privilege of being able to exclude others from practicing the invention in the market, the inventor is rewarded for his or her inventiveness. If great revenues are experienced, the percentage of revenues mechanism is applicable. If the patent owner, rather, chooses to hold the patents only for the benefit of the right to exclude others, then the inventor is rewarded by a fixed dollar amount of royalty payable over time.

The royalty system promotes disclosure of inventions to stimulate further innovation and, ultimately, permit the

public to practice the invention. The judgments of the Texas courts stand as obstacles to the accomplishment and execution of the full purposes and objectives of Congress in the patent law as articulated by this Court. The benefits of the patent system are denied to inventors. By allowing the simple assignment by an original assignee, who has induced assignment from the inventor by a royalty commitment, to cut off future royalties and other participations not withstanding record title, the inventor and invention have been discouraged and impeded, contrary to the purposes of the patent law. The same result prevails if a subsequent assignee through record title is allowed to cut off future royalties.

All of the title to the subject patents emanates from Jones and it cannot be otherwise. The terms and conditions of the Patent Rights Agreement upon which Jones transfered his ownership in the patents are critical. His assignee cannot transfer greater title than it acquired. The construction, interpretation and true intent of the Patent Rights Agreement cannot be ignored in determining the obligations of Cooper by simply saying "patents are personal property". It involves more than simply a "personal" contract for the payment of money, the delivery of goods or the furnishing of services. An examination of the Patent Rights Agreement reflects detailed terms and conditions for the continued mutual development of "certain inventions" of Jones after its execution and throughout the life of issued patents. It is a title document. By ignoring its terms the Texas courts deprived Jones of his patent grant.

There are several significant subparagraphs under which Jones has a continuing monetary or financial participation in the continuing practice (ie making, using and selling) of the inventions throughout the term of the youngest patent. They are a significant part of the "exclusive right" to

his inventions guaranteed to Jones by the Constitution. See: Subparagraphs 3.01, 3.02, 3.03, 4.02, 5.03, 7.03, 7.04, 7.05 and 10.01 of the Patent Rights Agreement. (Appendix 82a-87a).

If Subparagraph 10.01, for example, is ineffectual to bind Cooper (unless there is an express assumption that would render it unnecessary), a simple assignment by Koomey (or any subsequent assignee) would put Jones' continuing rights beyond reach. Under the construction of (a) the Patent Rights Agreement, (b) the record title to the patents and (c) the assignment to Cooper adopted by the Texas courts, the rights of Jones have been unconstitutionally extinguished. It was unambigiously intended that Jones have a continuing participation in the exploitation of the patents that were assigned by him pursuant to the Patent Rights Agreement. Only, Cooper, the owner of those patents could have and can have a financial realization (in which Jones is entitled to a continuing participation) from making, using or selling the patented products or licensing others to practice the inventions or recovering for infringement against others who insisted upon practicing the inventions without a license. Subparagraph 10.01 was self-effectuating and was memorialized in the record title to the patents through the original assignments from Jones. Requiring an express assumption by Cooper simply nullified the provision.

Among the provisions of the Patent Rights Agreement that reflect the continuing obligations of the holders of the patents that are necessary to effectuate the purpose of the Agreement for Jones, perhaps the most graphic is Paragraph 5 regarding suits for infringement. It is designed to provide all parties holding under Jones a sufficiently "complete" title to allow them to sue for infringement. Nonetheless, such "complete" title in Cooper does not deprive Jones of the benefits which may inure to him under Subparagraph 5.03.

A sufficiently "complete" title to sue for infringement does not result in canceling the reserved interests in the inventor. This Court has described the title necessary to sue for infringement in *Crown Die & Tool Co. v. Nye Tool & Machine Works*, 261 U.S. 24, 43 S.Ct. 254, 672 L.Ed. 516 (1923) as entailing an ownership interest at the time of the infringement. Thus, the entitlement of Jones to a portion of recovery for infringement under Subparagraph 5.03 of the Patent Rights Agreement reflects his present ownership of an interest in the exclusive rights afforded by the patents.

A patent is a bundle of rights. The rights to recover patent royalties, to license, and to transfer rights in a patent are some of the many elements of enjoyment making up title. *Waterman v. Mackenzie,* 138 U.S.252, 11 S.Ct. 334, 335-37 (1891); *Standard Oil Co. v. Clark,* 163 F.2d 917,930 (2d Cir. 1947). The reservation of a future royalty does not detract from the transfer or conveyance of full title to the patents nor does the transfer or conveyance of full title to the patents relieve the subsequent owner of the royalty obligation. *Rude v. Westcott*, 130 U.S. 152, 9 S.Ct. 463, 32 L.Ed. 888 (1889). Thus, the opportunity to enjoy the potential for monopoly revenues for a patented invention is a part of the right to exclude others granted by the United States to an inventor in a patent.

Cooper can only claim and exercise rights in the subject patents by, through, and under the Patent Rights Agreement from Jones, the inventor or natural person entitled to the patents under the Constitution. When Cooper acquired title to the rights and patents under the Patent Rights Agreement, Cooper held such rights to the exclusion of Jones, (except for the royalty and other participations due Jones under the Patent Rights Agreement). Jones could not and cannot practice his own inventions or license others to do so or sue for infringement. Granted, there has been a stormy

history surrounding the subject patents since 1981, but no party has abandoned the patents or terminated the Patent Rights Agreement. Cooper has tenaciously held on to the patents and they are useless unless Cooper, for example, could sue an infringer to enforce the exclusive right. It only has a sufficiently "complete" title to maintain a suit for infringement through the very record title that reflects the royalties and other rights reserved by Jones.

As to the continuing effect of the Agreement throughout this history, Subparagraph 7.02 also says "Alternatively, Jones may take any course of action to recover from Koomey all payments due him under this Agreement, which Agreement shall, in that latter event, remain in full force and effect, unless and until Koomey is again in default". So Jones sued and released Koomey for the amounts due from Koomey down to April 1994 and the Agreement remained in full force and effect as to Cooper. Considering a term of 20 years from the date of filing, the life of the youngest Untited States patent runs until July 18, 2005 or more than ten (10) years after Koomey was released from the obligations prior to 1994. It should be noted that Koomey canceled its license from Cooper to avoid paying the maintenance fees on the patents, which fees were then paid by Cooper. Again, Cooper was exercising dominion over the patents and accepting responsibility for the concomitant obligations; however, with the aid of the Texas courts, Cooper has ignored Jones. Under the terms of the Patent Rights Agreement, the rights of Jones continue even today except for their unilateral abrogation.

CONCLUSION AND PRAYER FOR RELIEF

The Texas courts have ignored federal law and the Patent Rights Agreement and treated the patents as if they had been "found on the sidewalk" and there were no record title under federal law. Jones has been unjustly and unconstitutionally deprived of his patent grants. For the reasons stated, Jones respectfully submits that the Writ of Certiorari should issue and that this Court should reverse the judgments of the Texas courts and remand the case for determination of the exact amounts payable by Cooper to Jones under the Patent Rights Agreement and such other relief to which Jones may be entitled.

Respectfully submitted,

John Feather and
Mark J. Henry

APPENDIX A

ORDERS 113TH DISTRICT COURT

NO. 94-044105

MARVIN R. JONES	§	IN THE DISTRICT
	§	COURT OF
V.	§	HARRIS COUNTY,
	§	TEXAS
COOPER INDUSTRIES,	§	113TH JUDICIAL
INC.	§	DISTRICT

ORDER

On June 6, 1995, the Court considered Plaintiff's Motion for Summary Judgment. After considering plaintiff's motion, defendant's response, exhibits filed regarding the motion, the pleadings on file, and argument of counsel, the Court is of the opinion that plaintiff's motion should be DENIED. It is therefore

ORDERED that Plaintiff's Motion for Summary Judgment is denied.

SIGNED THIS 28th day of June, 1995.

Patricia Hancock
JUDGE PRESIDING

Submitted By:

/s/ SMatthews Egner
Sylvia Matthews Egner
State Bar No. 13226900
Mayor, Day, Caldwell & Keeton, L.L.P.

700 Louisiana, Suite 1900
Houston, Texas 77002-2778
(713) 225-7000
(713) 225-7047 FAX

ATTORNEYS FOR COOPER INDUSTRIES, INC.

NO. 94-044105

MARVIN R. JONES	§	IN THE DISTRICT
	§	COURT OF
V.	§	HARRIS COUNTY,
	§	TEXAS
COOPER INDUSTRIES,	§	113TH JUDICIAL
INC.	§	DISTRICT

ORDER

On this day, the Court considered Cooper Industries, Inc.'s Motion for Summary Judgment. The Court considered the motion, the exhibits attached to the motion, the pleadings on file, and the arguments of counsel. The Court determined that no genuine issue of material fact exists and that defendant is entitled to summary judgment as a matter of law against plaintiff. It is therefore ORDERED as follows:

(1) Cooper Industries, Inc.'s Motion for Summary Judgment if granted; and

(2) Plaintiff Marvin R. Jones shall take nothing against Cooper Industries, Inc.

SIGNED THIS 28th day of June, 1995.

Patricia Hancock
JUDGE PRESIDING

RECORDER'S MEMORANDUM:
This instrument is of poor quality and not satisfactory for photographic recordation; and/or alterations were present at the time of filming.

NO. 94-044105

MARVIN R. JONES	§	IN THE DISTRICT
	§	COURT OF
V.	§	HARRIS COUNTY,
	§	TEXAS
COOPER INDUSTRIES,	§	113TH JUDICIAL
INC.	§	DISTRICT

Modified PH

ORDER GRANTING COOPER INDUSTRIES, INC.'S MOTION FOR SUMMARY JUDGMENT

On this day, the Court considered Cooper Industries, Inc.'s Motion for Summary Judgment. The Court considered the motion, summary judgment evidence, the pleadings on file. The Court determined that no genuine issue of material fact exists and that defendant is entitled to summary judgment as a matter of law against plaintiff. The Court also considered Cooper Industries, Inc.'s requests for leave of court to file additional evidence. It is therefore ORDERED as follows:

(1) Cooper Industries, Inc.'s motion for summary judgment is granted;

(2) Cooper's request for leave of court to file additional evidence are granted;

(3) Plaintiff Marvin R. Jones shall take nothing against Cooper Industries, Inc.; and

(4) All relief not expressly granted is denied.

(5) *Each party to bear their own cost. PL*

SIGNED THIS 2nd day of August, 1995.

Patricia Hancock
JUDGE PRESIDING

RECORDER'S MEMORANDUM
This instrument is of poor quality and not satisfactory for photographic recordation; and/or alterations were present at the time of filming.

APPENDIX B

OPINION AND JUDGMENT FOURTEENTH COURT

Affirmed and Opinion filed December 12, 1996.

In The
Fourteenth Court of Appeals

NO. 14-95-00955-CV

MARVIN R. JONES, Appellant

V.

COOPER INDUSTRIES, INC., Appellee

On Appeal from the 113th District Court
Harris County, Texas
Trial Court Cause No. 94-44105

OPINION

This appeal involves a claim for breach of a patent agreement which was decided by the trial court on opposing motions for summary judgment. Marvin R. Jones ("Jones"), appellant, appeals the denial of his motion for summary judgment and the granting of summary judgment in favor of Cooper Industries, Inc. ("Cooper"), appellee. We affirm.

Background

This dispute arises out of a Patent Rights Agreement (the "PRA"), effective October 1, 1981, whereby Jones sold and assigned certain patent rights to Koomey Blowout Preventers, Inc. ("Koomey"). In return, Koomey agreed to pay Jones, during each year of the term of the agreement, the greater of $50,000 annually or 1/2 of 1% of the annual gross revenues as defined in the PRA. The term of the PRA is fifteen years from the date of its execution, or until the last applicable patent expires. According to Jones, at least one of the patents will continue in effect until 2004 or 2005. The PRA provides that it shall be binding upon "Koomey, its subsidiaries, successors, assigns or licensees." Cooper ultimately obtained the patents at issue, but did not expressly assume the obligations created by the PRA and has refused to pay Jones the amounts described therein.

The present case is not the only lawsuit to originate from the disputed ownership of technology between the parties. In 1983, Cameron Iron Works, Inc. (subsequently acquired by and hereinafter referred to as "Cooper") filed suit against Koomey, Jones, and others alleging that Jones, a former employee,[1] disclosed to Koomey its confidential or trade secret information. *Cameron Iron Works, Inc. v. Koomey Blowout Preventers, Inc.*, Cause No. 83-67214, In the 281st Judicial District Court of Harris County, Texas (hereinafter "the Cameron litigation"). Cooper claimed ownership of some of the technology involved in the patent rights subject to the PRA. During the pendency of the Cameron litigation, Koomey pledged the patents at issue to First City National Bank as security for a loan.

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[1] Jones was an employee of Cameron from 1955 to November of 1979, when he retired. Thereafter, Jones served as a consultant for Cameron from December of 1979 through at least September of 1981.

When Koomey defaulted on the loan, the patents were foreclosed and sold to PB-BOP, Inc. (hereinafter "PB-BOP"), who then intervened in the lawsuit. By Settlement Agreement dated November 26, 1990, Cooper settled the Cameron litigation. Pursuant to the settlement, PB-BOP transferred the patents at issue to Cooper. The settlement also provided that Koomey would indemnify Cooper for any claims brought by Jones based upon the bringing of the suit or its settlement.

Following the settlement of the Cameron litigation, Jones brought suit against KBOP, Koomey, PB-BOP, M.H. Koomey, Inc., and others for unpaid royalties in breach of the PRA. *Jones v. Koomey Blowout Preventers, Inc., et. al.*, Cause No. 91-029277, In the 190th Judicial District Court of Harris County, Texas (hereinafter "the Koomey litigation"). Although Cooper held title to the patents, it was not made a party to the action. Jones ultimately settled the Koomey litigation for $100,000 and released the defendants from any and all liability under the PRA. Although Cooper was expressly excluded from the release, the settlement agreement provided that Cooper was released to the extent that Koomey and the other defendants might have joint and several liability with Cooper for a claim asserted by Jones.

In September of 1994, Jones brought the present suit against Cooper for royalties claimed due throughout the time Cooper has held title to the patents. Jones filed a motion for summary judgment on Cooper's alleged liability for breach of the PRA and, alternatively, for *quantum merit*. Cooper also moved for summary judgment on the ground that no enforceable agreement existed between Jones and Cooper and, alternatively, that Jones' recovery was otherwise barred. The trial court denied Jones; motion and granted Cooper's motion, which rulings form the basis of this appeal.

Standard of Review

The appropriate standard to be followed when reviewing a summary judgment is well-established:

1. the movant for summary judgment has the burden of showing that there is no genuine issue of material fact and that it is entitled to summary judgment as a matter of law;

2. in deciding whether there is a disputed material fact issue precluding summary judgment, evidence favorable to the non-movant will be taken as true; and

3. every reasonable inference must be indulged in favor of the non-movant and any doubts resolved in its favor.

Nixon v. Mr. Property Management Co., 690 S.W.2d 546, 548-49 (Tex. 1985); *Karl v. Oaks Minor Emergency Clinic*, 826 S.W.2d 898, 900 (Tex. 1988). Where, as here, the summary judgment order does not specify the grounds upon which summary judgment was granted, the reviewing court will affirm the judgment if any of the theories advanced in the motion is meritorious. *State Farm & Casualty Co. v. S.S.*, 858 S.W.2d 374, 380 (Tex. 1993); *Carr v. Brasher*, 776 S.W.2d 567, 569 (Tex. 1989).

Discussion

In two points of error, Jones argues that the trial court erred in denying his motion for summary judgment and in granting Cooper's motion for summary judgment. Jones contends that Cooper, as an assignee of the patents, if obligated as a matter of law to pay Jones "royalties" under

the PRA because: (1) Jones' title to the patents is a recorded legal title; (2) Jones' title is equitable because Cooper took the patents with notice of the PRA; (3) Cooper assumed the obligation to pay Jones' "royalties:; and (4) Jones is entitled to recover under *quantum meruit*. Cooper argues that it is entitled to summary judgment because: (1) Jones' claims are barred by the statute of frauds; (2) Cooper did not assume any obligations under the PRA; (3) Jones has released his claims against Cooper, and (4) a circuity of actions prevents Jones' recovery.

Jones first argues that, as a matter of law, Cooper's chain of title to the patents obligates Cooper to pay the royalties specified in the PRA. Specifically, Jones claims that when the PRA was executed, he severed and retained title to royalties for the life of the patents. Because Jones' title to the royalties is a recorded legal title, Jones argues, the obligations to pay royalties under the PRA is a condition of that title that runs with the patents. Therefore, Jones concludes, the patent royalties are payable by whoever possesses the patents at any point during the term of the PRA.

In support of his argument, Jones likens the royalty interest under the PRA to a royalty interest reserved in a mineral estate. When a mineral estate is sold and a royalty interest is reserved, that royalty interest attaches to the mineral estate and whomever owns the mineral estate must account to the royalty interest owner for any profits from the sale of the minerals. *Sheffield v. Hoag*, 124 Tex. 290, 297, 77 S.W.2d 10221, 1024 (1934), *r'hrg overruled*, 80 S.W.2d 741 (1935). In Texas, a royalty interest in a mineral estate is considered to be an incorporeal form of real property and is held to have the same attributes as real property. *Id.* Jones claims that the same should hold true for a patent royalty. Jones' argument is based upon two assumptions that

are grounded in principles generally applicable to conveyances of real property: (1) that Jones could sever and retain one of the rights of title to the patents, *i.e.* the right to collect royalties; and (2) that, because title to a patent is recordable, contract provisions concerning sale of the patent are covenants that run with the patent.

Jones has cited no authority, nor have we found any, for the proposition that principles of real property should apply to patents. To the contrary, patents have been recognized not as a form of real property but a form of personal property. Section 261 of Title 35 of the United States Code, which governs ownership and assignments of patents, expressly provides that, "[s]ubject to the provisions of this title, patents shall have the attributes of personal property." 35 U.S.C. § 261. *See Filmtec Corp. v. Allied-Signal Inc.*, 939 F.2d 1568, 1572 (Fed. Cir. 1991) ("[w]hile early cases have pointed to the myriad ways in which patent rights ...are closed in analogy to real than to personal property, the statutes establish as a matter of law that patents today have the attributes of personal property"); *Exxon Chem. Patents, Inc. v. Lubrizol Corp.*, 935 F.2d 1263, 1268 (Fed. Cir. 1991)(1952 Act resolved conflicting precedent by providing that patents shall have the attributes of personal property). Therefore, Jones' right to collect royalties under the PRA is not akin to a royalty interest in a mineral estate. Moreover, Jones' argument fails because, unlike with real property, (1) Jones could not carve out and retain a right or condition of title in the form of "royalties" once he assigned the patents to Koomey, and (2) even is Jones could sever out a condition of title in the form of "royalties," that condition would not "run with" title to the patents and be binding upon subsequent assignees absent an express or implied assumption by the assignee.

The purpose of recordation of patents is to give notice to the world that a particular idea is owned and the owner is accorded a monopoly on the use of the idea. *Waterman v. Mackenzie*, 138 U.S. 252, 260-261, 11 S.Ct. 334 (1891). "The monopoly thus granted is one entire thing and cannot be divided into parts," except as authorized by law. *Waterman*, 11 S.Ct. at 335. The patentee or his assigns may assign either "(1) the whole patent comprising the exclusive right to make, use, and vend the invention throughout the United States; or (2) an undivided part or share of that exclusive right; or (3) the exclusive right under the patent within and throughout a specified part of the United States." *Id.* It is undisputed that Jones sold and assigned to Koomey "his entire right, title, and interest in and to the "Patent Rights" that are in issue. Had Jones desired to reserve rights in the patents he could have merely licensed them to Koomey. *See Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1552 (Fed.Cir.), *cert. denied*,— U.S. —, 116 S.Ct. 184 (1995). As a licensor, Jones would have retained ownership but allowed Koomey use of the patents. *Id.* However, Jones chose to make a full and complete assignment of his interest in the patents. When such an assignment is made, it "divests the inventor of his rights as though the invention were a chattel [and] he is bound to leave the assignee free to deal with the invention as he wills" *Bunting v. McDonnell Aircraft Corp.*, 522 S.W.2d 161, 169 (Mo. 1975)(citing *New Era Electric Range Co. v. Serrell*, 169 N.E. 105, 106 (N.Y. 1929)). Further, the identification in an assignment of a monetary consideration, *i.e.* a "royalty," does not make an assignment invalid or modify or limit the absolute transfer of title. *Rude v. Westcott*, 130 U.S. 152, 163, 9 S.Ct. 463, 467 (1889)' *Proctor & Gamble Co. v. Kimberly-Clark Corp.*, 684 F.Supp. 1403, 1405 (N.D. Tex. 1987). "Royalty" payments in an assignment contract are compensation for the sale of the patents regardless of how they are termed. *Coast Metals, Inc. v. Cape*, 205 U.S.P.Q. 154, 158 (D.N.J. 1979). *Sybron*

Transition Corp. v. Nixon, Hargrave, Devans & Doyle, 770 F.Supp. 803, 811 (W.D.N.Y. 1991). Thus, the money described as "royalties" in the PRA was actually consideration for the assignment, and Jones retained nothing by way of his conveyance.[2]

Jones argues that, because title to a patent is recordable, contract provisions governing the sale of the patent have the same attributes as covenants that run with land. Therefore, he claims, reference to the PRA in the patent assignments to Koomey bound all future assignees of the patent under the PRA. We first note that the assignment of the patents from PB-BOP to Cooper does not mention or reference the PRA, nor does the record reflect the terms of the assignment from First City to PB-BOP upon foreclosure. Moreover, Jones cites no authority to support his claim that a covenant can "run with" a chattel. While equity may recognize covenants that do not run with land, those covenants still must relate to or concern land or its use and enjoyment. *Montgomery v. Creager*, 22 S.W.2d 463, 466 (Tex. Civ. App.—Eastland 1929, no writ). Since a patent is to be treated as personal property, there can be no covenants that "run with" the patent. 35 U.S.C. § 261. Consequently, whether or not the PRA was mentioned in prior assignment has no legal effect on Cooper's alleged obligation to pay royalties thereunder.

Jones next argues that, because Cooper took the patents with notice of the PRA, it is equitably bound to pay Jones the royalties specified therein. In support of his

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[2] Likewise, reversionary interest clauses in assignment contract do not prevent complete title to a patent from passing to an assignee. *Hook v. Hook & Ackerman*, 187 F.2d 52,58 (3rd Cir. 1951); *Bell Intercontinental Corp. v. United States*, 381 F.2d 1004, 1011 (Ct.Cl. 1967); *see also Waterman*, 11 S.Ct. at 336-37.

argument Jones relies on *Frey v. DeCordova Bend Estates Owners' Ass'n*, 632 S.W.2d 877 (Tex. App.—Fort Worth 1982), *aff'd.*, 647 S.W.2d 246 (Tex. 1983) and *Bently v. Grewing*, 613 S.W.2d 49 (Tex.Civ.App.—Fort Worth 1981, writ ref'd n.r.e.). In those cases, although the courts recognized covenants that did not run with the land, the covenants related to or concerned the land. *Frey*, 647 S.W.2d at 247 (deed restrictions); *Bentley*, 613 S.W.2d at 50 (overriding royalty interest in oil and gas lease). Equity does not recognize covenants that run with personal property, such as a patent. In this respect, the present case is more analogous to *Montgomery v. Creager*, 22 S.W.2d at 466. There, Funderburk, Montgomery and Creager were partners in a number of filling stations in the town of Mineral Wells and vicinity. In June of 1928, the partnership was dissolved by mutual agreement and, pursuant to a partition agreement, Creager conveyed to Montgomery the Park Filling Station. The contract provided that Montgomery would purchase all gasoline sold at the filling station from Creager at a certain price, unless Montgomery should sell the station. *Id.* at 464. The contract further provided that, whether or not the station was sold, "Creager shall have the right to sell and ...[Montgomery] shall receive said gasoline for a period of at least twelve months from this date." *Id.* Montgomery complied with all of the terms of the contract until November of 1928, when he sold the station to Ford. Creager brought suit against Montgomery and Ford seeking a mandatory injunction requiring them to comply with the gas purchase obligation under the contract for a period of at least one year. *Id.* Injunctive relief was granted and, following a trial on the merits, Creager obtained judgment against both Montgomery and Ford. *Id.* at 464-65.

On appeal, Creager sought to uphold the judgment against Ford by interpreting the contract in question as one subjecting the filling station to a restricted use. *Id.* at 466.

Specifically, Creager contended that Ford, having knowledge of the provisions of the contract, and with such knowledge having become the owner of the station, thereby became liable to carry out the contract. *Id.* The appellate court rejected this argument, emphasizing that the contract was for the purchase and sale of gasoline and did not affect the use of enjoyment of the land. *Id.* The court held that "[t]he agreement, if it could properly be called a covenant, is certainly not such as attaches to the property, but is purely personal between Creager and Montgomery. ...[h]aving sold to Ford, without obligating Ford to carry out the contract, a case is presented of a breach of contract by Montgomery only." *Id.* at 466-67. Similarly, in the present case, Cooper is not equitably obligated to pay Jones royalties under the PRA because the PRA did not relate to land or the use or enjoyment thereof. As a result, the PRA did not "run with" the patents and was purely personal between Jones and Koomey.

As already noted, a royalty on a patent is consideration for the sale of the patent and subject to the law of contracts. *See Coast Metals v. Cape*, 205 U.S.P.Q. at 157. Therefore, this court must look to Texas contract law governing the acquisition of personal property to determine the nature of Cooper's obligations, if any, under the PRA. *Hartley Pen Co. v. Lindey Pen Co.*, 16 F.R.D. 141, 149 (S.D. Cal. 1954)(citing *New Marshall Engine Co. v. Marshall Engine Co.*, 223 U.S. 473, 478, 32 S.Ct. 228, 229 (1912)). Generally the assignor of a contract remains liable for performance of the obligations which he assumed therein even after it is assigned. *Potts v. Burkett*, 278 S.W. 471,473 (Tex. Civ.Ann.—Eastland 1926, no writ). The assignee of a contract is not bound to perform the assignor's obligations under the contract unless they are expressly or impliedly assumed by the assignee. *Id.*; *Int'l Ass'n of Machinists v. Falstaff Brew Corp.*, 328 S. W. 2d 778, 782 (Tex

Civ.App.—Houston 1959, no writ). To determine Cooper's liability, we must examine whether Cooper expressly or impliedly assumed the royalty obligation under the PRA.

In order to expressly assume a contractual obligation, there must be actual promissory words, or words of assumption, on the part of the assignee. *Lone Star Gas v. Mexia Oil & Gas, Inc.*, 833 S.W.2d 199, 203 (Tex. App—Dallas 1992, no writ)(citing 4 A.CORBIN, CORBIN ON CONTRACTS § 906, at 632 n.1). Cooper signed only the assignment of the patents from Koomey, which contained no reference to the PRA. There is no evidence that Cooper expressly assumed Koomey's obligations under the PRA.

Jones argues that, because Cooper had notice of the PRA, it impliedly assumed Koomey's obligations thereunder when the patents were assigned. Alternatively, Jones argues that the court, on equitable grounds, should imply that Cooper assumed Koomey's obligations under the PRA.

Implied covenants are not favored, and courts will not lightly imply additional covenants enlarging the terms of a contract. *Foster v. Wagner*, 343 S.W.2d 914, 920 (Tex. Civ.App.—El Paso 1961, writ ref'd n.r.e.).

> An implied covenant must rest entirely on the presumed intention of the parties as gathered from the terms as actually expressed in the written instrument itself, and it must appear that it was so clearly within the contemplation of the parties that they deemed it unnecessary to express it, and therefore omitted to do so, or it must appear that it is necessary to infer such a covenant in order to effectuate the full purpose of the contract as a whole as gathered from the written instrument. It is not enough to say that an implied covenant is necessary in order to make the contract

BEST AVAILA

fair, or that without such a covenant it would be improvident or unwise, or that the contract would operate unjustly. It must arise from the presumed intention of the parties as gathered from the instrument as a whole.

Danciger Oil & Refining Co. v. Powell, 137 Tex. 484, 154 S.W.2d 632, 635 (1941)(citations omitted); *Foster*, 343 S.W.2d at 920. We find no indication in the contract between PB-BOP and Cooper that the parties contemplated Cooper would assume the obligations under the PRA. Mere knowledge of the terms of the contract between Jones and Koomey is not enough to imply those terms into the contract between Cooper and PB-BOP. Moreover, it is not necessary to infer a royalty obligation into the assignment to Cooper to effectuate the full purpose of the contract. The purpose of the contract was to transfer title to the patents to Cooper. Because we have found that the royalty payments were not a condition of title, it was not necessary for Cooper to assume the obligations in order to hold title to the patents. Therefore, we decline to find implied assumption under the terms of the written agreements.

Courts may also find implied assumption on equitable grounds. In *Lone Star Gas*, the Dallas Court of Appeals noted that courts have found implied assumption of obligations on equitable grounds when the benefit received by the assignee is so entwined with the burden imposed by the assignor's contract that the assignee is estopped from denying assumption and the assignee would otherwise be unjustly enriched. 833 S.W.2d at 203 (citing *Kirby Lumber Co. v. R.L. Lumber Co.*, 279 S.W. 546 (Tex.Civ.App.—Beaumont 1926, no writ)). Relying on *Kenyon v. Automatic Instrument Co.*, 160 F.2d 878 (6th Cir. 1947), Jones contends equity should imply that Koomey's royalty obligations followed title to the patents. *Kenyon*, however, is distinguishable from the present case. In *Kenyon*, the patentee assigned his patents to

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a Delaware corporation. In consideration for the assignment, the patentee was to receive $5.00 for each machine manufactured. *Id.* at 881. The corporation was later placed into receivership, and a related corporation purchased the patent from the receiver. *Id.* at 880. The court held that since the purchasing corporation knew of the contract, and because the patentee's contract rights would be destroyed if the contract did not transfer with the patent in the receivership sale, the purchasing corporation was liable to the patentee for the royalties. *Id.* at 884.[3]

Unlike the patentee in *Kenyon*, Jones' rights under the PRA were not destroyed by the transfer of the patents to Cooper. Koomey remained obligated to Jones thereunder. Since Jones did not lose his cause of action against Koomey for breach of the PRA when the patents were transferred to Cooper, the burdens under the PRA cannot be considered inextricably entwined with ownership of the patents so as to justify implying assumption on equitable grounds. *See Potts*, 278 S.W. at 473; *see also Loose v. Bellows Falls Pulp Plaster Co.*, 266 F. 81, 84 (2nd Cir. 1920)(upon assignment of contract relating to patents from original grantee of the patent to a corporation, the corporation was not liable for royalties due the patentee absent assumption of the obligation). Therefore, we decline to find that Cooper impliedly assumed Koomey's royalty obligations under the PRA.

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[3] The *Kenyon* court noted that, while the receiver took the assets as he found them, i.e. subject to the liabilities, "if the court had desired to sell the patent free of Kenyon's claim it could easily have so decreed." *Kenyon*, 160 F.2d at 884. Thus, the *Kenyon* court recognized that royalty agreements generally do not follow the patent. Moreover, *Kenyon* was decided in 1947, before 35 U.S.C. § 261 was amended to expressly provide that patents have the attributes of personal property.

Jones next points to the language in the PRA that states it is binding upon "Koomey, its subsidiaries, successors, assigns or licensees." Jones argues that, as an assignee of the patents, Cooper is liable under this clause. We disagree. A party cannot be held liable under another party's contract without an express or implied assumption of the obligations of that contract. *Int'l Ass'n of Machinists.*, 328 S.W.2d at 778. Therefore, a recitation in a contract purporting to bind subsequent assignees does not bind the subsequent assignees absent an express assumption of the obligations. Further, in the instant case, it was the patents that were assigned, not the PRA. Even if the parties to the PRA had wanted to make it binding upon subsequent assignees of the patents, the subsequent assignees would still have to agree to be bound. The mere acceptance of an assignment does not create a liability against the accepting party. *Rosen v. Greater Mount Olive Baptist Church*, 410 S.W.2d 863, 864 (Tex.Civ.App.—Waco 1966, no writ).

Because Cooper did not expressly or impliedly assume Koomey's obligations under the PRA, Cooper has no liability to Jones thereunder and summary judgment in favor of Cooper on this basis was proper. Jones contends that, nevertheless, a fact issue exists regarding his *quantum meruit* claim. Specifically, Jones claims that he provided Cooper with services or materials under the PRA which would make Cooper liable in *quantum meruit*. Cooper contends *quantum meruit* does not apply in the instant case because (1) there is a contract that covers the dispute, and (2) Jones did not meet his burden of proving *quantum meruit*.

To establish a claim for *quantum meruit*, a complainant must show that (1) valuable materials and services were furnished, (2) for the person or entity sought to be charged, (3) those services were accepted, used, and enjoyed by the person or entity sought to be charged, (4)

under such circumstances as to reasonable have notified the person or entity sought to be charged that the claimant, in furnishing properties or performing services, was expecting to be paid by the person sought to be charged. *Vortt Exploration Co. v. Chevron U.S.A., Inc.*, 787 S.W.2d 942, 944 (Tex. 1990); *Economy Forms v. Williams Bros. Const. Co. Inc.*, 754 S.W.2d 451, 458 (Tex. App.—Houston [14th Dist.] 1988, no writ) (citations omitted.)

As a general rule, "a party who seeks to recover the reasonable value of services rendered...will be permitted to recover in *quantum meruit* only when there is no express contract covering those services or materials." *Id.* (citing *Truly v. Austin*, 744 S.W.2d 934, 936 (Tex. 1988) and *Black Lake Pipe Line Co. v. Union Construction Co. Inc.*, 538 S.W.2d 80, 86 (Tex. 1976)). In the present case there was an express contract which covered the patents and any services to be provided with regard thereto. Therefore, Jones may not recover from Cooper in *quantum meruit*. Moreover, Jones has failed to show that he provided any services for Cooper after the patents were assigned to Cooper. Cooper's summary judgement proof clearly shows that all it accepted from Kooney was patents themselves. The fact that Jones continued to render services to Koomey under the PRA is irrelevant to any obligation Cooper may owe to Jones for services performed. Under *quantum meruit*, Jones was required to show that the services were performed *for* Cooper, and that Cooper accepted such services with knowledge that Jones expected remuneration from Cooper for his services. It is not enough to merely show that Jones' acts benefitted Cooper. *See Economy Forms*, 754 S.W.2d at 459. We find that the summary judgment proof did not raise a fact issue on Jones' *quantum meruit* claim.

Because we have found that summary judgment was properly granted on the ground that Cooper did not assume the royalty obligations under the PRA, we need not address (1) whether Jones' claims are barred by the statute of frauds, (2) whether Jones released Cooper, or (3) whether a circuity of actions would otherwise prevent Jones' recovery.

The judgment of the trial court is affirmed.

/s/ Harriet O'Neill
Justice

Judgment rendered and Opinion filed December 12, 1996.

Panel consists of Chief Justice Murphy, and Justices Anderson and O'Neill.

Publish — TEX.R.APP.P.90

APPENDIX C

NOTICE-FOURTEENTH COURT OF APPEALS
OVERRULED MOTION FOR REHEARING

OFFICIAL BUSINESS STATE OF TEXAS STATE PENALTY

FOURTEENTH COURT OF APPEALS
1307 San Jacinto, 11th Floor
Houston, Texas 77002

Re: Case No. 14-95-00955-CV

Style: Jones, Marvin R.
v. Cooper Industries, Inc.

Please be advised that, on this date, the Court OVERRULED appellant's motion for rehearing in the above cause.

Further, application for writ of error, if any, must be submitted on or before Monday, March 17, 1997.

T.C. Case # 94-44105 Mary Jane Smart, Clerk

John R. Feather
Bush Mosley Riddle & Jackson
950 Echo Lane
Suite 180
Houston, TX 77014

APPENDIX D

NOTICE - SUPREME COURT OF TEXAS
DENIED APPLICATION FOR WRIT OF ERROR

THE SUPREME COURT OF TEXAS
Post Office Box 12248
Austin, Texas 78711 (512) 463-1312

July 31, 1997

Mr. John R. Feather
950 Echo Lane,Suite 180
Houston, TX 77024

Mr. Marvin B. Eickenroht
Vaden Eickenroht & Thompson
One Riverway, Suite 1100
Houston, TX 77056

Mr. Jeffrey A. Pyle
Vaden Eickenroht &
Thompson
One Riverway,Suite 100
Houston, TX 77056

Mr. Kent A. Rowald
Vaden Eickenroht &
Thompson
One Riverway, Suite 100
Houston, TX 77056

Mr. Michael O Connelly
Mayor Day Caldwell &
Keeton
700 Louisiana,Suite 1900
Houston, TX 77002-2778

Ms.Sylvia Matthews Egner
Mayor Day Caldwell &
Keeton
700 Louisiana,Suite 1900
Houston, TX 77002-2778

Mr. Earnest W. Wotring
Mayor Day Caldwell & Keeton
700 Louisiana, Suite 1900
Houston, TX 77002-2778

RE: Case Number 97-0252
Style: MARVIN R. JONES
v.
COOPER INDUSTRIES, INC.

Dear Counsel:

Today, the Supreme Court of Texas denied the above referenced application for writ of error with the notation "Writ Denied".

Sincerely,

John T. Adams, Clerk

by /s/ Michael C. Murphey
Michael C. Murphey, Deputy

APPENDIX E

NOTICE - SUPREME COURT OF TEXAS
OVERRULED MOTION FOR REHEARING

THE SUPREME COURT OF TEXAS
Post Office Box 12248
Austin, Texas 78711 (512) 463-1312

September 11, 1997

Mr. John R. Feather
950 Echo Lane, Suite 180
Houston, TX 77024

Mr. Marvin B. Eickenroht
Vaden Eickenroht & Thompson
One Riverway,Suite 1100
Houston, TX 77056

Mr. Jeffrey A. Pyle
Arnold White & Durkee
P.O. Box 4433
Houston, TX 77210-4433

Mr. Kent A. Rowald
Vaden Eickenroht & Thompson
One Riverway, Suite 1100
Houston, TX 77056

Mr. Michael O. Connelly
Mayor Day Caldwell & Keeton
700 Louisiana,Suite 1900
Houston, TX 77002

Ms. Sylvia Matthews Egner
Mayor Day Caldwell & Keeton
700 Louisiana,Suite 1900
Houston, TX 77002

Mr. Earnest W. Wotring
Mayor Day Caldwell & Keeton
700 Louisiana, Suite 1900
Houston, TX 77002

RE: Case Number 97-0252
Style: MARVIN R. JONES
v.
COOPER INDUSTRIES, INC.

Dear Counsel:

Today, the Supreme Court of Texas overruled petitioner's motion for rehearing of the application for writ of error in the above styled case.

Sincerely,

John T. Adams, Clerk

by /s/ Michael C. Murphey
Michael C. Murphey, Deputy

APPENDIX F

EXCERPTS OPPOSITION OF JONES
TO MOTION FOR SUMMARY JUDGMENT
113TH DISTRICT COURT

NO. 94-044105

Marvin R. Jones,	§	IN THE DISTRICT COURT
	§	
Plaintiff,	§	OF HARRIS COUNTY,
v.	§	TEXAS
	§	
Cooper Industries, Inc.	§	113th JUDICIAL DISTRICT

OPPOSITION OF JONES TO MOTION FOR SUMMARY JUDGMENT OF COOPER INDUSTRIES, INC.

Marvin R. Jones ("Jones") responds to and opposes the Motion for Summary Judgment of Cooper Industries, Inc. ("Cooper") on each and all of the following grounds:

SUMMARY

1. Cooper's Motion is in the nature of a confession and avoidance. However, Cooper's attempt at avoidance is fatally flawed. Each of the facts in this case may be ascertained from the documents, but Cooper has assiduously ignored or avoided undeniable facts that render Cooper's avoidance theories inoperable. Therefore, Jones' Motion for Summary Judgment ("Jones' Motion") should be granted and Cooper's Motion should be in all things denied.

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2. Jones' Motion and brief in support was filed on January 18, 1995 and is incorporated herein as fully as if set forth herein verbatim. Jones' Motion and Cooper's confession establish as a matter of law that:

(a) a valid, subsisting, unambiguous written contract known as a Patent Rights Agreement exists;

(b) Cooper claims to hold the patent rights that are the subject of the Patent Rights Agreement as a successor-in-interest to the patent rights;

(c) Jones has performed or tendered all performance required of him pursuant to the terms of the Patent Rights Agreement;

(d) Cooper has failed to pay the specified minimum royalty due to Jones under the Patent Rights Agreement; and

(e) the amount that Jones has not been paid is readily determinable by mathematical calculation under the Patent Rights Agreement.

COOPER'S MOTION SHOULD BE DENIED

3. **Cooper is not entitled to summary judgment** because Jones is entitled to recover against Cooper, as a matter of law, on each and every ground set out in his Motion for Summary Judgment against Cooper on file herein which Motion and all affidavits and exhibits filed in support thereof are incorporated herein by reference as fully as if set out verbatim in this Opposition.

4. **Cooper is not entitled to summary judgment** because it has in the past and continues to claim ownership of, assume and exercise rights under, and derive benefit from nine (9) United States Patents and their foreign counterparts with respect to which Jones is the inventor or an inventor. Such patents are identified by reference to their United States patent numbers, titles, and issue dates, and by their assignment recordation data in the United States Patent and Trademark Office ("the Patents") as follows:

No.	title	issue date	Reel/frame	Reclamation Date
4,488,703	Valve Apparatus	12/18/84	4152/759-761	7/13/83
4,519,371	Valves	4/2/85	4152/759-761	7/13/83
4,519,571	Fluid Operated Actuator	5/28/85	4130/0549	5/27/83
4,519,571	Fluid Operated Actuator	5/28/85	4142/759-761	7/13/83
4,519,577	Flow Control Apparatus	5,28,85	4142/759-761	7/13/83
4,523,639	Ram Type Blowout Preventer	6/18/85	4200/0194	11/21/83
4,580,626	Blowout Preventers Having	4/8/86	4152/759-761	7/13/83
4,582,293	Hydrulically Operated Valves	4/15/86	4152/759-761	7/13/83
4,589,625	Hydrulically Operated Valves	5/20/86	4152/759-761	7/13/83
4,638,972	Valve Apparatus	1/27/87	4432/0563	7/18/85

Jones is the inventor or an inventor as to each of the foregoing patents and foreign counterparts. Under the United States Constitution, Article I, Sec. 8 Cl. 8 and the statutory scheme adopted by Congress under the Constitutional empowerment **only** natural persons or individuals may be inventors and have patents issued to them. The natural persons to whom patents are issued own such patents unless that ownership is transferred by assignment to another person, partnership, or corporation and no other ownership can exist except by a chain of title from the inventor. The patents were assigned by Jones pursuant to the Patents Rights Agreement executed on October 1, 1981, (Exhibit A to the Original Petition, Exhibit A to Jones' Motion to Summary Judgment, and Exhibit 1 to the Cooper Motion for Summary Judgment). All title and ownership in the Patents devolves and traces from Jones, the inventor, and the Patent Rights Agreement. All title to the Patents held by any person, partnership, or corporation after Jones, the inventor, including Cooper, is subject to all of the terms of the Patent Rights Agreement.

* * * *

APPENDIX G

EXCERPTS - BRIEF OF APPELLANT
FOURTEENTH COURT OF APPEALS

NO. 14-95-955-CV

IN THE COURT OF APPEALS FOR THE
FOURTEENTH COURT OF APPEALS DISTRICT
AT HOUSTON, TEXAS

MARVIN R. JONES,
APPELLANT,
V.
COOPER INDUSTRIES, INC.,
APPELLEE.

BRIEF OF APPELLANT

Vaden, Eickenroht, Thompson & Feather, L.L.P.

John R. Feather
Jeffrey A. Pyle
One Riverway, Suite 1100
Houston, Texas 77056-1982
(713) 961-3525 [Telephone]
(713) 961-3723 [Facsimile]

ORAL ARGUMENT REQUESTED

B. ARGUMENT AND AUTHORITIES UNDER POINT OF ERROR NO. I

POINT OF ERROR NO I (RESTATED)

THE TRIAL COURT ERRED IN DENYING JONES' MOTION FOR SUMMARY JUDGMENT

As a matter of law, Cooper's chain of title to various patents, in privity of estate with Jones under the Patent Rights Agreement, obligates Cooper to pay Jones the royalties specified in the Agreement. The Patent Rights Agreement is unambiguous and nobody asserts any ambiguity. Cooper is a direct assignee and successor-in-interest in the chain of title to the patents covered by the Patent Rights Agreement and so is obligated, as a matter of law, to pay the royalties reserved by Jones as a condition of title in the Patent Rights Agreement. The trial court consequently erred in denying Jones' Motion for Summary Judgment against Cooper under the Patent Rights Agreement. All of Cooper's "defenses" are in confession and attempted avoidance and, as a matter of law, are without merit.

When the Patent Rights Agreement was executed, Jones retained the right and title to royalties (a portion of revenues generated by the patented products or the annual minimum) for the life of the patents undisputedly covered by the Patent Rights Agreement. Koomey and its successors-in-interest must pay these royalties to Jones to continue to hold the legal title to the rest of the rights under the Patent Rights Agreement. The language of the Patent Rights Agreement clearly states the intent of Jones and Koomey in this respect. Cooper is bound by the royalty obligation under two alternative theories from November 1990 throughout the remaining term of the Patent Rights Agreement, which continues in force today. First, Jones' title to the royalties

is a recorded legal title. The obligation to pay royalties is a condition of the title that Cooper holds. Second, Jones" title is equitable, and Cooper took title with notice of the persisting obligation to pay royalties and so is equitably bound to that obligation through its continuing to hold title. Either way, Cooper is bound to pay Jones the unpaid royalties since November 26, 1990.

1. Jones has Retained Legal Title to Royalties and the Obligation to Pay Royalties is a Condition of Title to the Patent Rights Cooper Holds

A patent is a bundle of rights and "[t]he right conferred by letters patent for an invention is limited to a term of years, and a large part of its value consists in the profits derived from royalties and license fees." *Waterman v. Mackenzie*; 138 U.S. 252, 11 S.Ct. 334, 336-37 (1891). "The rights to recover patent royalties, to license, and to transfer rights in a patent are some of the many elements of enjoyment making up title." *Standard Oil Co. v. Clark*, 163 F.2d 917, 930 (2d Cir. 1947). Thus, the opportunity to enjoy the potential for monopoly revenues for a patented invention is a part of the right to exclude others granted by the United States in a patent.

A grantor or assignor (like Jones) may sever and retain one or more rights from the title granted to the grantee or assignee (Koomey and its successors-in-interest) and the document evidencing the grant forms a "muniment of title." *Greene v. White*, 137 Tex. 361, 153 S.W.2d 575, 583-83 (1981). In ¶ 3 of the Patent Rights Agreement, Jones severed and retained the legal right to the receipt of royalties from those who hold the right and title to practice his patented inventions under the patents subject to the Patent Rights Agreement. (Tr. 59-60) As in the case of mineral interests,

the obligation to pay the royalties affected the value of the patents in a manner that "touched and concerned" the patents, and so the obligation to pay royalties runs with the title granted by Jones to Koomey and, hence to Koomey's successors, including Cooper. *Westland Oil Development Corp. v. Gulf Oil Corp.*, 637 S.W.2d 903, 911 (Tex. 1982). Jones' right to royalties is therefore a condition of title running with the legal title to the patent rights under the Patent Rights Agreement payable by whoever possesses those rights at any point during the term of the Agreement.

* * * *

Furthermore, documents affecting legal title to patent rights, like interests in real property, are recordable. 35 U.S.C.A. § 261 (West 1984); 37 C.F.R. § 3.11 (1994). Jones' right to a royalty with respect to his patented inventions was recorded in the U.S. Patent & Trademark Office through recordation of the confirmatory assignments (*See* Tr. 740-52, 1011-18) The world therefore received constructive notice of Jones' right as a matter of law and no third party could take a bona fide purchaser for value without notice. 35 U.S.C.A. § 261 (West 1984); *Greene*, 153 S.W.2d at 583-84; *Westland Oil Development Corp.*, 637 S.W.2d at 911. Consequently, Cooper was on notice of Jones' legal title as a matter of law.

Cooper can only claim and exercise rights in the subject patents by, through, and under the Patent Rights Agreement from Jones, the inventor or natural person constitutionally entitled to the patents. From November 26, 1990, when Cooper Title to the rights under the Patent Rights Agreement, to the present, Cooper has held such rights to the exclusion of Jones without paying even the minimum annual royalty due Jones under the Patent Rights Agreement as set out above. (*See* Tr 66, ¶ 10.01, and 72-73, ¶ 7)

* * * *

3. Whether Jones' Title is Equitable or Legal, Cooper Industries if Obligated to Pay Jones for the Patent Rights it Holds

The Patent Rights Agreement was "binding upon" Koomey, was "binding upon" First National City Bank, and was "binding upon" PB BOP, Inc., so they could all pass title to the patents only along with the retained royalty interest of Jones in the gross revenues or minimum payments. The Agreement is also binding, as to all of its terms, on Cooper as a matter of law at least because: (a) the patents subject to the Patent Rights Agreement indicate the assignment from Jones to Koomey *on their face* (Tr. 893, 904, 917, 930, 943, 959, 979, 998); (b) confirmatory assignments under the Patent Rights Agreement referencing the Patent Rights Agreement were recorded in the Patent & Trademark Office (Tr. 742, 744, 746, 748, 1011-19); (c) the security agreement under which First City foreclosed and through which Cooper claims title, specifically referred to the Patent Rights Agreement and the royalty obligation, was recorded in the Patent & Trademark Office (Tr. 1020-36); and (d) Cooper admitted receiving actual notice of Jones' title to the royalties through participation in the Cameron litigation (Tr. 91, 754-55, ¶ 3).

* * * *

APPENDIX H

EXCERPTS REPLY BRIEF OF APPELLANT
FOURTEENTH COURT OF APPEALS

NO. 14-95-955-CV

IN THE COURT OF APPEALS FOR THE
FOURTEENTH COURT OF APPEALS DISTRICT
AT HOUSTON, TEXAS

MARVIN R. JONES,
APPELLANT,
V.
COOPER INDUSTRIES, INC.,
APPELLEE.

From the 113th Judicial District Court
Harris County, Texas

REPLY BRIEF OF APPELLANT

Vaden, Eickenroht, Thompson & Feather, L.L.P.

John R. Feather
Jeffrey A. Pyle
One Riverway, Suite 1100
Houston, Texas 77056-1982
(713) 961-3525 [Telephone]
(713) 961-3723 [Facsimile]

ORAL ARGUMENT REQUESTED

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* * * *

JONES' TITLE INTEREST RENDERS COOPER'S ASSUMPTION DEFENSE IRRELEVANT (RESPONSE TO REPLY POINTS 2 & 8)

There still is no dispute as to any material fact regarding the documentary title interest of Jones to royalties reserved from the transfer ownership of the patent rights in the Jones patents. Cooper's obligation to pay the reserved royalties arises from the documents through which it must claim ownership. Any factual dispute relates to Cooper's spurious allegations of unclean hands, which facts are immaterial in light of their previous adjudication in the earlier Cameron litigation in the 281st Judicial District. There is dispute, however, over applicable legal principles. In this respect, Cooper's arguments fail because they are virtually all centered on the *non sequitur* that legal principles pertaining recordable title interests, as in real estate, are completely and utterly inapplicable to patents. Cooper does, however admit that equitable title interests in patents are enforceable against a legal titleholder and under the undisputed facts of this case Jones is therefore entitled to recovery.

A. Cooper's Reliance on 35 U.S.C.A. § 261 and Dismissal of Recordable Title Interest Principles is Misplaced in the Present Dispute

Cooper's liability arises through privity of estate by possession and exercise of rights acquired through the Patent Rights Agreement and is not dependent upon privity of contract. Cooper repeatedly relies on 35 U.S.C.A § 261 for the proposition that patent rights are personalty and then, without warrant, extrapolates that any legal principle

pertaining to recordable title interests, such as in realty, is inapplicable. (*See* Cooper's Brief, pp. 17-20, 35-37) Even Cooper's authorities establish that the federal recording statute on which it relies "adopts the principle of the *real property recording acts*... ." *See Filmtec Corp. v. Allied-Signal Inc.*, 939 F.2d 1568, 1573 (Fed. Cir. 1991) (emphasis added, cited by Cooper at Cooper's Brief, pp. 29, 33, and 35). Cooper's representation that *Filmtec* stands for the proposition that 35 U.S.C.A. § 261 "precludes" applying principles of recordable title interests relating to realty is therefore manifestly incorrect. *Compare Filmtec*, 939 F.2d at 1573-74, and Cooper's Brief, p. 33. Cooper then misrepresents the authority of *Exxon Chem. Patents, Inc. v. Lubrizol Corp.*, 935 F.2d 1263 (Fed. Cir. 1991, by failing to mention that it cites a concurrence rather than an opinion of the court.

* * * *

Patents are a *sui generis* form of property having the attributes of personal property but subject to the application of legal principles pertaining to recordable title interests. 35 U.S.C.A. § 261 (West 1984); *Filmtec Corp.* 939 F.2d at 1572-73. Notably, Cooper does not cite any applicable authority in support of its fallacy that all principles applicable to real property, including recordation of title interests, are *ipso facto* inapplicable to patents. Cooper's reliance upon "no assumption" is therefore irrelevant as being predicated entirely on a *non sequitur* in contravention of well established legal principles of title. (*See* Jones' Brief, pp. 18-20)

* * * *

Cooper incorrectly asserts that the recordation of assignments pursuant to the Patent Rights Agreement and subsequent documents in its chain of title referencing the Patent Rights Agreement fails to meet the Statute of Frauds.

Cooper's faulty assumption is predicated on an unwarranted extrapolation from the federal statute specifying that patents have the attributes of personal property. (Cooper's Brief, pp. 17-18) This point is discussed more fully above, but even Cooper's authorities establish that the federal recording statute, 35 U.S.C.A. § 261, "adopts the principle of the *real property recording acts... .*" *See Filmtec Corp. v. Allied-Signal Inc.*, 939 F.2d 1568, 1573 (Fed. Cir. 1991)(cited by Cooper at Cooper's Brief, pp. 29, 33, and 35). Thus, under *Westland Oil Dev. Corp. v. Gulf Oil Corp.*, 637 S.W.2d 903 (Tex. 1982), recordable title principles refute this assertion.

* * * *

APPENDIX I

EXCERPTS MOTION FOR REHEARING
OF APPELLANT
FOURTEENTH COURT OF APPEALS

NO. 14-95-955-CV

IN THE COURT OF APPEALS FOR THE
FOURTEENTH APPEALS DISTRICT
AT HOUSTON, TEXAS

MARVIN R. JONES,
APPELLANT,
V.
COOPER INDUSTRIES, INC.,
APPELLEE.

From the 113th Judicial District Court
Harris County, Texas

MOTION FOR REHEARING OF APPELLANT

TABLE OF AUTHORITIES

CASES

Bonita Boats Inc. v. Thunder Craft Boats Inc.
487 U.S. 1346, 109 S.Ct. 971, USPQ2d 1847 (1989) . 10

Filmtec Corp. v. Allied Signal, Inc.
939 F.2d 1568 (Fed. Cir. 1991) 11,12,18,19

Kennedy v. Hazelton
128 U.S. 667,672,95 S.Ct. 202, 203,
32 LED 576 (1888) 13

Stark v. Advanced Magnetics, Inc.
29 F.3rd 1570, 1577 (Fed Cir. 1994) 13

University Patents, Inv. v. Kligman
762 F.Supp. 1212, 1218-10 (E.D.Pa 1991) 12

Wise v. Hubbard
769 F.2d 1, 2-3 (1st Cir. 1985) 13

STATUTES

Chisum, Patents
Volume 6 § 22.01 8,10,11,12

35 U.S.C. § 261 9,10,11,15,16,18,19

Marvin R. Jones ("Jones") moves the Court for rehearing and respectfully submits that the Court erred in its Judgment of December 12, 1996 in each of the following respects:

POINTS OF ERROR

Point of Error No. 1. The Court erred in affirming the trial court's denial of Jones' Motion for Summary Judgment (TR. 34-75, 793-821, 864-1036, 1039)

Point of Error No. 2. The Court erred in affirming the trial court's granting of Cooper Industries' Motion For Summary Judgment (TR. 88, 591-792, 864-1036, 1040, 1044)

Point of Error No. 3. The Court erred in finding that the royalty payments under the Patent Rights Agreement of October 1, 1981 (TR. 2-31) were not a condition of title in order for Cooper Industries to hold title to the patents that are the subject of the Agreement.

Point of Error No. 4. The Court erred in abrogating the continuing rights of Jones under the Patent Rights Agreement of October 1, 1981. (TR. 2-31).

Point of Error No. 5. The Court erred in depriving Jones of his continuing economic interest in the patents that are the subject of the Patent Rights Agreement of October 1, 1981 (TR. 2-31) without due process or compensation in violation of the Constitution of the United States.

Point of Error No. 6. The Court erred in depriving Jones of his continuing economic interest in the patents that are the subject of the Patent Rights Agreement of October 1, 1981 (TR. 2-31) without due process or compensation in violation of the Constitution of the State of Texas.

* * * *

Point of Error No. 8. The Court erred in failing to find that, as a matter of law, Cooper Industries as an assignee of the patents subject to the Patent Rights Agreement of October 1, 1996 (TR. 2-31), was obligated to pay Jones the applicable royalties under the Agreement because the recorded chain of legal title to the patents provided for such payment by the holder or record title.

* * * *

Point of Error No. 11. The Court erred in finding as a matter of law that Cooper Industries, as an assignee of the patents subject to the Patent Rights Agreement of October 1, 1981 (TR. 2-31), was not obligated to pay Jones the applicable royalties under the Agreement notwithstanding the recorded chain of legal title to the patents providing for such payment.

* * * *

Point of Error No. 13. The Court erred in finding as a matter of law that Cooper Industries was not obligated to pay Jones the applicable royalties under the Patent Rights Agreement of October 1, 1981 (TR. 2-31) unless Cooper had executed a writing containing "actual promissory words, or words of assumption," on the part of Cooper.

Point of Error No. 14. The Court erred in finding as a matter of law that Cooper Industries did not assume the payment of the royalty obligation to Jones under the Patent Rights Agreement of October 1, 1998 (TR. 2-31) by taking and holding title to the patents that are the subject of the Patent Rights Agreement.

Point of Error No. 15. The Court erred in holding that the provision of 35 U.S.C. § 261 that "...patents shall

have the attributes of personal property." *ipso facto*, prohibits the provisions of the Patent Rights Agreement of October 1, 1981 (TR. 2-31) from providing for the reservation of a royalty interest the obligation for which is a condition of title to or "runs with" the patents.

Point of Error No. 16. The Court erred in holding that, Jones could not in any event sever and retain the right to collect royalties as a title interest in the Patent Rights Agreement of October 1, 1998 (TR. 2-31) because the patents were as a matter of law treated as having the attributes of personal property only.

Point of Error No. 17. The Court erred in holding the recordation of assignments of the title to the subject patents under 35 U.S.C. § 261 referring to the terms of the Patent Rights Agreement of October 1, 1981 (TR. 2-31) did not, along with the terms of the patent Rights Agreement, result in an obligation to pay royalties "running with the title" of the patents because the patents were treated as a matter of law as having the attributes of personal property only.

Point of Error No. 18. The Court erred in holding that "Jones could not carve out and retain a right or condition of title in the form of 'royalties' once Jones assigned the patents... ."

Point of Error No. 19. The Court erred in holding that "even if Jones could sever out a condition of title in the form of 'royalties', that condition would not 'run with' title to the patents and be binding upon subsequent assignees absent an express or implied assumption by the assignee".

Point of Error No. 20. The Court erred in applying cases relating to whether or not a party has a sufficient

ownership interest in a patent to maintain a patent infringement suit so as to prohibit the reservation of a royalty as a part of record title to a patent and to obligate subsequent assignees to pay royalties as a condition to holding title to the patent.

Point of Error No. 21. The Court erred in holding that "complete title", as that concept is defined in cases relating to whether or not a party has a sufficient ownership interest in a patent to maintain a patent infringement suit, prohibits the reservation of a royalty interest as an obligation of the record title holder of a patent.

Point of Error No. 22. The Court erred in holding that "since a patent is to be treated as personal property, there can be no covenants that 'run with' the patent "regardless of the terms of the Patent Rights Agreement of October 1, 1981 (TR. 2-31), the recording statute and record title to the subject patents.

Point of Error No. 23. The Court erred in holding that "Equity does not recognize covenants that run with personal property, such as a patent" regardless of the terms of the Patent Rights Agreement of October 1, 1981 (TR. 2-31), the record title to the patents and the other circumstances of this case.

Point of Error No. 24. The Court erred in holding that the obligation to pay $50,000 per year or 1/2 of 1% of the gross revenue resulting from the exploitation of the subject patents was not inextricably entwined with ownership of the patents so as to justify implying an assumption by Cooper Industries on equitable grounds.

Point of Error No. 25. The Court erred in ignoring the full scope of all of the terms of the Patent

Rights Agreement was not a condition of title obligating Cooper Industries.

Point of Error No. 26. The Court erred in disregarding the terms and provisions of the Patent Rights Agreement (TR. 2-31) that provided for a continuing obligation to Jones for his economic interest in the subject patents after they were assigned by Koomey to others.

Point of Error No. 27. The Court erred in misconstruing the terms and provisions of the Patent Rights Agreement (TR. 2031) that provided for a continuing obligation to Jones for his economic interest in the subject patents after they were assigned by Koomey to others.

Point of Error No. 28. The Court erred in holding that beyond taking and holding record title to the subject patents, Cooper Industries had to expressly assume the royalty obligation under the Patent Rights Agreement to become obligated to Jones.

* * * *

Point of Error No. 31. The Court erred in holding that because the purpose of the contract between Cooper Industries and PB BOP, Inc. was to transfer title to the patents it is not necessary to infer a royalty obligation to Jones into the assignment to Cooper Industries to effectuate the full purpose of the contract.

* * * *

Point of Error No. 33. The Court erred in finding that the terms of subparagraph 10.01 of the Patent Rights Agreement did not bind subsequent owners of the subject patents under Koomey, including Cooper Industries.

Point of Error No. 34. The Court erred in holding that Cooper Industries could acquire, through assignment, a greater interest in the patents subject to the Patent Rights Agreement than was held by prior assignees of record title through which Cooper must claim.

Point of Error 35. The Court erred in holding that as a matter of law principles also applicable to real property could not be applied to the assignment of patents and title to patents.

* * * *

ARGUMENT

Jones respectfully submits the following arguments in support of all of the foregoing points or error, without waiving any other arguments that may hereafter be made to support such points. It is urged that the Court has erroneously allowed the designation of property as "personal" or "real" to control over the clear and unambiguous terms of the Patent Rights Agreement (TR. 2-31, the Patent Rights Agreement"), the recording statute and the chain of title to the patents assigned by Jones pursuant to the Agreement. The Court's Judgment allows Cooper Industries ("Cooper") to take the benefits of record title to the patents without the directly corresponding burdens.

Essentially, Jones asserts that any party holding title to the patents that are the subject of the Patent Rights Agreement, including Cooper, owes to Jones the performance of all continuing obligations of Koomey Blowout Preventers, Inc. ("Koomey") the other original party to the Patent Rights Agreement, including the obligation for the payments specified in subparagraph 3.01. That is a consequence of the fact that as a matter of law all rights in

the subject patents can only flow from Jones to subsequent holders of title to the patents through the Patent Rights Agreement. At page 5 of the Brief of Appellant under the portion of the "Statement Under All Point of Error" entitled "The Chain of Title To The Patent Rights Under The Patent Rights Agreement Leads to Cooper (Oct. 1981 - Nov. 1990)", Jones makes the following statement:

> "Under the United States Constitution, only natural persons can be granted patents (Jones in this case) and consequently the title to all patented inventions must originate with a natural person (Jones in this case)."

That statement is uncontested because it is so basic that it defies contest and was asserted without citation of authority. By analogy only, and even with the statutory provision regarding patents having the attributes of personal property, it is as basic as the proposition that all title to real estate in Texas ultimately originates with and devolves from the Sovereign of the Soil, be it Spain, France, Mexico, The Republic, The Confederacy or the State of Texas. Hence, for example, the reference "Spanish Land Grant". However, it does not depend upon whether a patent is real property or personal property. **Jones is an inventor on all of the subject patents and consequently the genesis owner.** Once issued by the sovereign, all title to the subject patents must emanate from Jones, through record title, on the terms specified by Jones in the Patent Rights Agreement, pursuant to which the patents were assigned. By Congressional enactment the principle applies to patents which are personal property, although it also applies to real property. No rule of law prohibits Congress from so applying such principle.

The statutory scheme enacted by Congress to implement the system of issuing or granting United States

Patents (Title 35, United States Code) was enable by the United States Constitution Article I, Section 8, Clause 8:

> The Congress shall have power....To promote the Progress of Science and useful Art, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

* * * *

Of course, 35 U.S.C. § 261 specifically provides for the transfer of rights in patents and the recordation of such transfers:

> § 261 Ownership; assignment
>
> **Subject to the provisions of this title**, patents shall have the attributes of personal property.
>
> Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent, or patents, to the whole or any specified part of the United States.
>
> A certificate of acknowledgment under the hand and official seal of a person authorized to administer oaths within the United States, or, in a foreign country, of a diplomatic or consular officer of the United States or an officer authorized to administer oaths whose authority is proved by a certificate of a diplomatic or consular officer of the United States, or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles

of designated officials in the United States, shall be prima facie evidence of the execution of an assignment, grant or conveyance of a patent or application for patent.

> An assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage. (Emphasis added.)

Please note that patents have the attributes of personal property only "Subject to the provisions of this title ....".

* * * *

Although the state law governing the construction of contracts, assignments and other written instruments governs the assignment of patents, that law may not disregard the essential federal law enacted by Congress pursuant to the foregoing Constitutional enablement for a patent system. The very statute providing that patents shall have the "attributes of personal property" also provides for the recording system that creates a record title to patents charging subsequent owners with the obligations of record or referred to of record. 35 U.SC. § 261. Congress has provided that, although patents have the attributes of personal property, they "shall be assignable in law by an instrument in writing" (like real estate) and "An assignment, grant or conveyance shall be void as against any subsequent purchaser... for valuable consideration, without notice, unless recorded..." (like real estate). It is axiomatic that whatever burdens, restrictions or limitations are placed on record title bind all subsequent parties taking record title. A party cannot transfer more than it has. Congress having so provided, the effect cannot be varied by state law. Beyond

argument, federal law has pre-empted state law in the regulation of intellectual property, particularly patents. *Bonita Boats Inc. v. Thunder Craft Boats, Inc.*, 487 U.S. 1346, 109 S.Ct. 971, 9 USPQ2d 1847 (1989). As the Court states at 9 USPQ2d 1852:

> Thus our past decision have made clear that state regulations of intellectual property must yield to the extent that it clashes with the balance struck by Congress in our patent laws. The tension between the desire to freely exploit the full potential of our inventive resources and the need to create an incentive to deploy those resources is constant. Where it is clear how the patent laws strike that balance in a particular circumstance, that is not a judgment the States may second guess.

Various cases support the conclusions stated above by *Chisum*. Some of them have been relied upon by the Court. For example, *Chisum* cites *Filmtec Corp. v. Allied Signal, Inc.* 939 F.2d 1568 (Fed. Cir. 1991). Note should be taken of the Federal Circuits' use of the real estate analogy, to describe the patent recording statute at pages 1511-13, although under the statute patents are expressly made personal property. 35 U.S.C. § 261. The court in *Filmtec Corp.* does not prohibit the use of real property principles in connection with the title to patents, but rather expressly characterizes 35 U.S.C. § 261 as being a statute that "adopts the principle of the real property recording acts...". This is the same statute that says that patents shall have the attributes of personal property. Thus, the statute does not mean that in all circumstances real property principles will not apply to patents. The court explains the rule by stating "This is an application of the common law bona fide purchaser for value rule". That rule applies equally to personal property and real property. There would be no need for the rule unless there

were interests or restrictions affecting title or running with title that should be cut off without recordation or notice. A party cannot transfer a greater interest than it has unless there is a failure by a prior party to record a restriction. Generally personal property is not subject to recording statutes. Patents are one of the exceptions. *Filmtec Corp.*, 939 F.2d at 1511-13. The foregoing is recognized by the Federal Circuit in the "standing to sue for infringement" context, so that the reservation of a royalty and a reverter is not invalid although the assignee has "complete" title for standing purposes.

* * * *

CONCLUSIONS AND PRAYER

The Court stated "Jones has cited no authority, nor have we found any, for the proposition that principles of real property should apply to patents." The Court then quotes *Filmtec Corp. v. Allied Signal Inc.*, 939 F.2d 1568 (Fed. Cir. 1991). However, as pointed out above, that case goes on to state that Congress, in adopting 35 U.S.C. § 261, adopted "...the principle of the real property recording acts..." Consequently, there is authority from the Constitution, the Congress and the Federal Circuit (with exclusive jurisdiction of patent appeals). It is respectfully submitted that there is no authority for the Court's Judgment beyond the citation of 35 U.S.C. § 261 that "patents shall have the attributes of personal property ..." and *Filmtec*, which also says real property principles are applicable to this type of personal property. Again, please note that it is "Subject to the provisions of this title (35 U.S.C.)..." that patents have the attributes of personal property under 35 U.S.C. § 261. It is respectfully submitted that the Court's Judgment, further, ignores the terms of the Patent Rights Agreement as a part of record title to the subject patents

which Cooper took and holds with full knowledge or charged with full knowledge. Based upon the foregoing, Jones urges that the Court grant a rehearing.

* * * *

APPENDIX J

EXCERPTS - APPLICATION FOR WRIT OF ERROR
SUPREME COURT OF TEXAS

FILED IN
14TH COURT OF APPEALS
HOUSTON, TX
MAR 17 97
MARY JANE SMART
CLERK

No._____
IN THE
SUPREME COURT OF TEXAS

MARVIN R. JONES,
Petitioner,
v.
COOPER INDUSTRIES, INC.
Respondent.

On appeal from the Court of Appeals
for the Fourteenth Court of Appeals District
Houston, Texas

APPLICATION FOR WRIT OF ERROR

John Feather
950 Echo Lane, Suite 180
Houston, TX 77024
TEL: 713-827-1054
FAX: 713-827-8326

* * * *

POINT TWO (RESTATED)

The Court of Appeals erred in affirming the trial court's granting Cooper's Motion for Summary Judgment. (Re. 88-214, 1039-40, 1044; Opinion, pages 1-12; Motion For Rehearing, pages 1-6)

POINT THREE (RESTATED)

The Court of Appeals erred in affirming the trial court's judgment unconstitutionally divesting Jones of property without due process or just compensation. (Opinion, pages 1-13; Motion For Rehearing, pages 1-6)

STATEMENT, ARGUMENT AND AUTHORITIES UNDER ALL POINTS

Jones respectfully submits the following argument and authorities, along with some additional specific facts, in support of all of the foregoing point of error. It is urged that the Court of Appeals has erroneously allowed the general designation of property as "personal" or "real", and presumes results, to control over the clear and unambiguous terms of the Patent Rights Agreement (**Appendix A**), the recording statute and the recorded chain of title to the patents assigned by Jones pursuant to the Agreement. The judgment of the Court of Appeals allows Cooper to take the benefits of record title to the patents without the directly corresponding burdens, thus, unilaterally abrogating continuing economic rights belonging to Jones.

Essentially, Jones asserts that any party holding title to the patents that are the subject of the Patent Rights Agreement, including Cooper, owes to Jones the

performance of all continuing obligations of Koomey Blowout Preventers, Inc. ("Koomey") the other original party to the Patent Rights Agreement, including the obligation for the payments specified in Subparagraph 3.01. That is a consequence of the fact that, as a matter of law, all rights in the subject patents can only flow from Jones to subsequent holders of title to the patents through the Patent Rights Agreement. In the Court of Appeals, Jones made the following threshold statement:

> "Under the United States Constitution, only natural persons can be granted patents (Jones in this case) and consequently the title to all patented inventions must originate with a natural person (Jones in this case)."

That statement is uncontested. It is so basic that it defies contest and was asserted without citation of authority. By analogy only, and even with the statutory provision regarding patent's having the attributes of personal property, it is as basic as the proposition that all title to real estate in Texas ultimately originates with and devolves from the Sovereign of the Soil, be it Spain, France, Mexico, The Republic, The Confederacy or the State of Texas. Hence, for example, the reference "Spanish Land Grant". However, it does not depend upon whether a patent is real property or personal property. *Jones is an inventor on all of the subject patents and consequently the genesis owner.* Once issued by the sovereign, all title to the subject patents must emanate from Jones, through record title, on the terms specified by Jones in the Patent Rights Agreement, pursuant to which the patents were assigned. By Congressional enactment the foregoing principle applies to patents which are personal property, although it also applies to real property. No rule of law prohibits Congress from so applying such principle,

while in the same statute stating that patents shall have the attributes of personal property.

* * * *

The statutory scheme enacted by Congress to implement the system of issuing or granting United States Patents (Title 35, United States Code) was enabled by the United States Constitution Article I, Section 8, Clause 8:

> The Congress shall have power....To promote the Progress of Science and useful Art, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

* * * *

Of course, 35 U.S.C. § 261 specifically provides for the transfer of rights in patents and the recordation of such transfers:

> § 261 Ownership; assignment
>
> *Subject to the provisions of this title*, patents shall have the attributes of personal property.
>
> Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent, or patents, to the whole or any specified part of the United States.
>
> A certificate of acknowledgment under the hand and official seal of a person authorized to administer oaths

within the United States, or, in a foreign country, of a diplomatic or consular officer of the United States or an officer authorized to administer oaths whose authority is proved by a certificate of a diplomatic or consular officer of the United States, or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles of designated officials in the United States, shall be prima facie evidence of the execution of an assignment, grant or conveyance of a patent or application for patent.

> An assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage. (Emphasis added.)

* * * *

Although the state law governing the interpretation and construction of deeds, contracts, assignments and other written instruments applies to written agreements relating to and assignments of patents, that law may not disregard the essential federal law enacted by Congress pursuant to the foregoing Constitutional enablement for a patent system. The very statute providing that patents shall have the "attributes of personal property", which was claimed as a foundation for the analysis of the Court of Appeals, also provides for the recording system that creates a record title to patents charging subsequent owners with the obligations of record or referred to of record. 35 U.S.C § 261. Congress has provided that, although patents have the attributes of personal property, they "shall be assignable in law by an instrument in writing: (like real estate) and "An assignment,

grant or conveyance shall be void as against any subsequent purchaser...for valuable consideration, without notice, unless recorded..." (like real estate). It is axiomatic that whatever burdens, restrictions or limitations are placed on record title bind all subsequent parties taking record title. A party cannot transfer more than it has. Congress having so provided, the effect cannot be varied by state law.

Beyond argument, federal law has pre-empted state law in the regulation of intellectual property, particularly patents.

* * * *

The patent law seeks to foster and reward inventions. The manner in which the recording statute and the Patent Rights Agreement were treated by the Court of Appeals, discourages invention. If an inventor such as Jones cannot rely upon the survival of future royalty provisions as conditions of title to reward his inventiveness, then invention is discouraged, not fostered. The classic, traditional means for rewarding invention is the future royalty mechanism which allows for the assignee to bear the expense of exploitation while enjoying the patent monopoly and compensating the inventor over time. To the extent the invention is economically successful either by generating substantial revenues or by allowing the patent owner the privilege of being able to exclude others from practicing the invention in the market, the inventor is rewarded for his or her inventiveness. If great revenues are experienced, the percentage of revenues mechanism is applicable. If the patent owner, rather, chooses to hold the patents only for the benefit of the right to exclude others, then the inventor is rewarded by a fixed dollar amount of royalty payable over time.

The royalty system described above also promotes disclosure of inventions to stimulate further innovation and, ultimately, permit the public to practice the invention. The judgments of the trial court and the Court of Appeals stand as obstacles to the accomplishment and execution of the full purposes and objectives of Congress in the patent law as articulated by the United States Supreme Court. By allowing the simple assignment by an original assignee that has induced assignment by a royalty commitment to cut off future royalties not withstanding record title, the inventor and invention have been discouraged and impeded, contrary to the first and second purposes of the patent law described above. The same result prevails if a subsequent assignee through record title is allowed to cut off future royalties.

The provisions of 35 U.S.C. § 261 are a part of the Congressional patent system that contribute to the purposes of the patent law described above. While patents are accorded the attributes of personal property, perhaps uniquely, they are also accorded the type of record title protection commonly accorded to real estate. The Federal Circuit in *Film Tec Corp. v. Allied Signal, Inc.*, 939 F.2d 1568 (Fed. Cir. 1991) is selectively cited by the Court of Appeals. Among the United States Circuit Courts, the Federal Circuit (since 1982) has exclusive jurisdiction of patent litigation appeals and confronts title questions on issues regarding standing to sue for infringement. Note should be taken of the Federal Circuits' use of the real estate analogy to describe the patent recording statute at pages 1572-74 of its opinion, although under the statute patents are expressly made personal property. 35 U.S.C. § 261. The court in *Film Tec Corp.* does not prohibit the use of real property principles in connection with the title to patents, but rather expressly characterizes 35 U.S.C. § 261 as being a statute that "adopts the principle of the real property recording acts...". As observed above, this the same statute

that says that patents shall have the attributes of personal property. Thus, the statute does not mean that in all circumstances real property principles will not apply to patents. The Federal Circuit explains the rule by stating "This is an application of the common law bona fide purchaser for value rule". That rule can apply equally to personal property and real property. There would be no need for the rule unless there were interests or restrictions affecting title or running with title that should be cut off without recordation or notice. A party cannot transfer a greater interest than it has, unless there is a failure by a prior party to record a restriction, limitation or obligation. Generally personal property is subject to recording statutes. Patents are one of the exceptions. *Film Tec Corp.*, 939 F.2d at 1572-74. The foregoing is recognized by the Federal Circuit in the "standing to sue for infringement" context, so that the reservation of a royalty and a reverter is not rendered invalid where the assignee is found to have "complete" title for standing purposes.

* * * *

Under construction of the Patent Rights Agreement, by the Court of Appeals, the record title to the patents and the assignment to Cooper, the rights of Jones could be unilaterally extinguished by the knowing contrivance of Koomey and Cooper. It simply allows the unilateral abrogation of record title, contrary to 35 U.S.C. § 261.

* * * *

The construction allowing Cooper all the privileges under the Patent Rights Agreement and none of the obligations is not reasonable. It does not afford due process. The foregoing samples clearly show that it was intended that Jones have a continuing participation in the exploitation of

the patents that were assigned by him pursuant to the Patent Rights Agreement. Only the owner of those patents could have a monetary realization from making, using or selling the patented products or licensing others to practice the inventions or recovering for infringement against others who insisted upon practicing the inventions without a license. On and after August 4, 1993, (Cooper acquired the patents in November 1990) when Koomey was no longer a licensee from Cooper (TR 657), only Cooper could enjoy those realizations in which Jones had a continuing right to participate. As a consequence of those continuing rights to participate, Subparagraph 10.01 provided that assigns from and under Koomey would continue to be obligated. That fact was memorialized in the record title to the patents through the original assignments from Jones and the First City Bank security agreement, even if the specific assignment to Cooper did not refer to the Patent Rights Agreement. The assignment could only become effective to transfer title if recorded under 35 U.S.C. § 261. Any party taking title to the patents received notice from the face of the patents regarding the named inventor and original assignee (TR. 742, 891-1007) and thus notice of the Patent Rights Agreement.

* * * *

Subparagraph 10.01 is self effectuating as to all assignees of the patents in issue because of the record title. If Subparagraph 10.01 were only to take effect upon an express assumption by Cooper, as suggested by the Court of Appeals, it would be meaningless. An express assumption would bind Cooper or any other assignee with or without the terms of Subparagraph 10.01. If it has any meaning (and the rules of construction require that all parts of a contract be given meaning) it binds all immediate and subsequent assignees of the Jones patents under Koomey the original

assignee pursuant to the terms of the Patent Rights Agreement.

* * * *

Among all of the foregoing provisions of the Patent Rights Agreement that reflect the continuing obligations of the holders of the patents that are necessary to effectuate its purpose of the Agreement for Jones, perhaps the most graphic is Paragraph 5 regarding infringement. This Paragraph, of course, relates to the "standing" cases referred to above, such as *Film Tec Corp. v. Allied Signal, Inc.*, 939 F.2d 1568 (Fed. Cir. 1991). Cooper or anyone else must have the requisite interest in the patents in order to sue for infringement. As the federal courts in evaluating the standing factor say, Cooper must have "complete" title to be allowed to sue for infringement; thus, the provisions of Subparagraphs 5.01 and 5.02. Nonetheless, such "complete" title in Cooper does not deprive Jones of the benefits which may inure to him under Subparagraph 5.03. Any other result would certainly be a ridiculous construction. A sufficiently "complete" title to sue for infringement does not result in canceling the reserved interests in the inventor. A patent entails many rights.

* * * *

A patent is a bundle of rights and "[t]he right conferred by letters patent for an invention is limited to a term of years, and a large part of its value consists in the profits derived from royalties and license fees." *Waterman v. Mackenzie*, 138 U.S. 252, 11 S.Ct. 334, 335-37 (1891). "The rights to recover patent royalties, to license, and to transfer rights in a patent are some of the many elements of enjoyment making up title." *Standard Oil Co. v. Clark*, 163 F.2d 917, 930 (2d Cir. 1947). The reservation of a future

royalty does not detract from the transfer or conveyance of full title to the patents nor does the transfer or conveyance of full title to the patents relieve the subsequent owner of the royalty obligation. *Rude v. Westcott*, 130 U.S. 152, 9 S.Ct. 463, 32 L.Ed. 888 (1889). Thus, the opportunity to enjoy the potential for monopoly revenues for a patented invention is a part of the right to exclude others granted by the United States in a patent.

* * * *

The Patent Rights Agreement clearly allows Jones to seek relief for past defaults and continue the obligations of the Agreement. (Subparagraph 7.02). By its terms the Patent Rights Agreement still has almost ten (10) years to run and the rights of Jones should not be unilaterally abrogated in favor of Cooper.

* * * *

Thus, Court of Appeals erred in abrogating the continuing rights of Jones under the Patent Rights Agreement and depriving Jones of his continuing economic interest in the patents that are the subject of the Agreement without due process or compensation, contrary to the United States Constitution and the Congressional Statutory scheme to implement the encouragement of invention. The Court erred in finding "as a matter of law" that Cooper was not obligated to pay Jones the applicable royalties under the Patent Rights Agreement unless Cooper had executed a writing containing "actual promissory words, or words of assumption," on the part of Cooper, whereas, as a matter of law, Cooper assumed the payment of the royalty obligation to Jones under the Patent Rights Agreement by taking and holding title, with notice, to the patents that are the subject of the Patent Rights Agreement.

The Court of Appeals erred in holding that the provision of 35 U.S.C. § 261 that "...patents shall have the attributes of personal property," *ipso facto*, prohibits the clear provisions of the Patent Rights Agreement from providing for the reservation of a royalty interest, the obligation for which is a condition of title to or "runs with" the title to the patents. Based upon only the subject phrase from the statute, without considering the context or the circumstances, the Court of Appeals arbitrarily held that Jones could not, in any event, sever and retain the right to collect royalties as a title interest under the Patent Rights Agreement notwithstanding its clear an unambiguous terms. The Court of Appeals erred in holding that the federal provision for the recordation of assignment of the subject patents under 35 U.S.C. § 261, along with the terms of the Patent Rights Agreement referred to in the recorded assignment, did not, result in an obligation to pay royalties "running with the title" of the patents solely because the patents were treated as a matter of law as having "the attributes of personal property" only. The Court of Appeals erred in holding that "Jones could not carve out and retain a right or condition of title in the form of 'royalties' once Jones assigned the patents..." and "even if Jones could sever out a condition of title in the form of 'royalties', that condition would not 'run with' title to the patents and be binding upon subsequent assignees absent an express or implied assumption by the assignee". All of the foregoing without the citation of pertinent authority, but based solely on the statutory statement that patents have the attributes of personal property. Not only is the Court of Appeals in error, but its judgment stands as an obstacle to the accomplishment and execution of the full purposes and objectives of the federal patent law, *Aronson*, 99 S.Ct. at 1099.

The Court of Appeals erred in applying cases relating to whether or not a party has a sufficient ownership interest in a patent to maintain a patent infringement suit so as to prohibit the reservation of a royalty as a part of record title to a patent that obligates subsequent assignees to pay royalties as a condition to holding title to the patent. The Court of Appeals erroneously held that "complete title", as that concept is defined in "standing" cases, prohibits the reservation of a royalty interest as an obligation of the record title holder of a patent. As pointed out above, the reservation of a royalty does not detract from "complete title" nor does "complete title" abrogate the royalty obligation *Rude v. Wescott*, 9 S.Ct. at 467.

* * * *

The Court of Appeals erred in holding that the obligation to pay $50,000 per year or 1/2 of 1% of the gross revenue resulting from the exploitation of the subject patents was not inextricably entwined with ownership of the patents so as to justify implying an assumption by Cooper on equitable grounds. In doing so, the Court of Appeals ignored the full scope of all of the terms of the Patent Rights Agreement and patent ownership. Further, the Court of Appeals ignored the clear and unambiguous terms of the Patent Rights Agreement in determining that the royalty obligation in the Patent Rights Agreement was not a condition of title obligating Cooper. The terms and provisions of the Patent Rights Agreement clearly and unambiguous provide for a continuing obligation to Jones for his economic interest in the subject patents after they were assigned by Koomey to others.

* * * *

CONCLUSION AND PRAYER FOR RELIEF

The basic error of the Court of Appeals in affirming the trial court was an arbitrary assumption of the notion that solely because 35 U.S.C. § 261 includes the words "patents shall have the attributes of personal property", all of the familiar principles of taking through record title simply vanish. Further, the Court of Appeals simply assumed without any authority or logic that having the "attributes of personal property" eliminated all equity, in addition to the continuing terms of the Patent Rights Agreement. The clear and unambiguous terms of the Patent Rights Agreement reflect, beyond doubt, that the holding of the right to exclude others from practicing the inventions of the assigned patents was subject to the royalty, licensing, infringement and reverter obligations set out in the Agreement. Not only are the judgments of the Court of Appeals and the trial court in error, but they invade the preempted portion of the law governing patent rights and, thus, violate the Federal Constitution and statutes providing for a patent system.

* * * *

APPENDIX K

EXCERPTS - MOTION FOR REHEARING
SUPREME COURT OF TEXAS

No. 97-0252

IN THE
SUPREME COURT OF TEXAS

MARVIN R. JONES,
Petitioner,
v.
COOPER INDUSTRIES, INC.
Respondent.

On Appeal From the Court of Appeals
For the Fourteenth Court of Appeals District
Houston, Texas

MOTION FOR REHEARING

John Feather
950 Echo Lane, Suite 180
Houston, TX 77024
TEL: 713-827-1054
FAX: 713-827-8326

BEST AVAILA

POINT OF ERROR

Jones reurges his Points of Error set out in the Application For Writ of Error and urges the following in the Court's denial of the Application:

> **The United States Constitution and Title 35 of the United States Code, including the title transfer and recordation provisions, seek to promote and reward invention and preempt state law. The manner in which the federal statutes and the Patent Rights Agreement were treated by the Court of Appeals discourages invention and conflicts with federal law. The denial of the Application memorializes that unconstitutional result in the law of Texas.**

ARGUMENT AND AUTHORITIES

Jones respectfully reurges the arguments and authorities, along with the additional specific facts set out in the Statement Argument and Authorities Under All Points in the Application, in support of this Motion. It is urged that the general designation of property as "personal" or "real", and the presumed results, have been allowed to control over the clear and unambiguous terms of the Patent Rights Agreement (**APPENDIX A** to the Application) the federal recording statute and the recorded chain of title to the patents assigned by Jones pursuant to the Agreement. The denial of the Application allows Cooper to take the benefits of record title to the patents without the directly corresponding burdens, thus, unilaterally abrogating continuing economic rights belonging to Jones.

As a matter of law, all rights in the subject patents can only flow from Jones to subsequent holders of title to the

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patents through the Patent Rights Agreement. That is uncontested. It is so basic that it defies contest. It is constitutional and does not depend upon whether a patent is real property or personal property. *Jones is an inventor on all of the subject patents and consequently the genesis owner.* Once issued by the sovereign, all title to the subject patents must emanate from Jones, through record title, on the terms specified by Jones in the Patent Rights Agreement, pursuant to which the patents were assigned. By Congressional enactment the foregoing principle applies to patents which are personal property, although it also applies to real property. No rule of law prohibits Congress from so applying such principle, while in the same statute stating that patents shall have the attributes of personal property.

* * * *

As emphasized in the Application, the statutory scheme enacted by Congress to implement the system of issuing or granting United States Patents (Title 35, United States Code) was enabled by the United States Constitution Article I, Section 8, Clause 8:

> The Congress shall have power....To promote the Progress of Science and useful Art, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

It has been generally accepted and is uncontested that the words "Authors" and "Inventors" can only refer to natural persons. Congress implemented the Constitutional intent expressed in Article I, Section 8, Clause 8 by the legislation that is now Title 35 of the United States Code entitled "Patents". Consequently, as to patents, Title 35 became a part of the supreme law of the land under Article VI, Clause 2:

> The Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the authority of the United States; shall be the Supreme Law of the Land; and the Judges in every State shall be bound thereby; and Thing in the Constitution or Law of any State to the Contrary notwithstanding.

35 U.S.C. § 261, part of the implementing legislation, specifically provides for the transfer of rights in patents and the recordation of such transfers:

> § 261 Ownership; assignment
> *Subject to the provisions of this title*, patents shall have the attributes of personal property.
>
> Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent, or patents, to the whole or any specified part of the United States.
>
> A certificate of acknowledgment under the hand and official seal of a person authorized to administer oaths within the United States, or, in a foreign country, of a diplomatic or consular officer of the United States or an officer authorized to administer oaths whose authority is proved by a certificate of a diplomatic or consular officer of the United States, or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles of designated officials in the United States, shall be prima facie evidence of the execution of an

> assignment, grant or conveyance of a patent or application for patent.
>
> An assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage. (Emphasis added.)

Please note that patents have the attributes of personal property only "Subject to the provisions of this title...".

Inventorship provides the starting point for determining ownership of patent rights. Thus, 35 U.S.C. § 152 provides that

> Patents may be granted to the assignee of the inventor of record in the Patent and Trademark Office, upon the application made and the specification sworn to by the inventor, except as otherwise provided in this title.

This procedure was followed by Jones and Koomey, under and subject to all of the terms of the Patent Rights Agreement. Hence, the issued patents, on their face, show Jones as "inventor" and Koomey as "assignee".

The system established by Congress to implement the Constitutional intent includes more than the standards for patentability of inventions and the process to be used in applying for and obtaining the issuance of a patent on patentable inventions. The system includes provisions for the transfer of inventions and issued patents. The Constitutional intent was "--to promote the progress of ----useful arts by securing for limited times to -- inventors the exclusive right -

- to their inventions. The "exclusive right", manifests itself in potential economic realization from commercial exploitation of the invention. That realization, most often depends upon there being available the necessary financing to commercially manufacture and sell the invention. Most independent or employee inventors do not personally have the financial resources. Consequently, an arrangement must be made by the inventor with a party having or being able to obtain the necessary resources for exploitation. Such parties are frequently not willing to provide the exploitation resources and pay the inventor the present value of the invention "up front" so to speak. The inventor must wait and receive his compensation in the form of a future royalty based upon the sales revenue from the commercial exploitation of the invention. The exclusive right to participate in any economic realization now lasts for 20 years. If the invention is diligently commercialized, the inventor realizes a part of the resulting revenue stream (usually a percentage). On the other hand, if for some reason, the manufacturer determines not to actively exploit the invention, it frequently has to pay the inventor a fixed minimum royalty agreed upon in advance. To secure to the inventor in that exclusive right, Congress has established a basic system of transferring patent rights as a matter of federal law.

* * * *

Although the state law governing the interpretation and construction of deeds, contracts, assignments and other written instruments applies to written agreements relating to and assignments of patents, that law may not disregard the essential federal law enacted by Congress pursuant to the Constitutional enablement for a patent system. The very statute providing that patents shall have the "attributes of personal property", which was claimed as a foundation for

the analysis of the Court of Appeals, also provides for the recording system that creates a record title to patents charging subsequent owners with the obligations or record or referred to of record. 35 U.S.C. § 261. Congress has provided that, although patents have the attributes of personal property, they "shall be assignable in law by an instrument in writing" (like real estate) and "An assignment, grant or conveyance shall be void as against any subsequent purchaser...for valuable consideration, without notice, unless recorded..." (like real estate). It is axiomatic that whatever burdens, restrictions or limitations are placed on record title bind all subsequent parties taking record title. A party cannot transfer more than it has. Congress having so provided, the effect cannot be varied by state law. Beyond argument, federal law has pre-empted state law in the regulation of intellectual property, particularly patents.

* * * *

The federal patent law seeks to promote and reward invention. The manner in which the recording statute and the Patent Rights Agreement were treated by the Court of Appeals, discourages invention, thus conflicting with federal policy. The denial of the Application makes that unconstitutional result the law in Texas. Invention is important in Texas. If an inventor such as Jones cannot rely upon the survival of future royalty provisions as conditions of title to reward his inventiveness, then invention is discouraged, not fostered. As stated earlier the classic, traditional means for rewarding invention is the future royalty mechanism which allows for the assignee to bear the expense of exploitation while enjoying the patent monopoly and compensating the inventor over time. To the extent the invention is economically successful either by generating substantial revenues or by allowing the patent owner the privilege of being able to exclude others from practicing the

invention in the market, the inventor is rewarded for his or her inventiveness. If great revenues are experienced, the percentage of revenues mechanism is applicable. If the patent owner, rather, chooses to hold the patents only for the benefit of the right to exclude others, then the inventor is rewarded by a fixed dollar amount of royalty payable over time.

* * * *

The royalty system described above also promotes disclosure of inventions to stimulate further innovation and, ultimately, permit the public to practice the invention. The judgments of the trial court and the Court of Appeals, and now the denial of the Application, stand as obstacles to the accomplishment and execution of the full purposes and objectives of Congress in the patent law as articulated by the United States Supreme Court. The benefits of the patent system are denied to inventors. By allowing the simple assignment by an original assignee, that has induced assignment from the inventor by a royalty commitment, to cut off future royalties not withstanding record title, the inventor and invention have been discouraged and impeded, contrary to the purposes of the patent law described above. The same result prevails if a subsequent assignee through record title is allowed to cut off future royalties.

The provisions of 35 U.S.C. § 261 are a part of the Congressional patent system that contributes to the purposes of the patent law described above. While patents are accorded the attributes of personal property, perhaps uniquely, they are also accorded the type of record title protection commonly accorded to real estate.

* * * *

Thus, the statute does not mean that in all circumstances real property principles will not apply to patents. The Federal Circuit explains the rule by stating "This is an application of the common law bona fide purchaser for value rule". That rule can apply equally to personal property and real property. There would be no need for the rule unless there were interests or restrictions affecting title or running with title that should be cut off without recordation or notice. A party cannot transfer a greater interest than it has, unless there is a failure by a prior party to record a restriction, limitation or obligation. Generally, personal property is not subject to recording statutes. Patents are one of the exceptions. *Film Tec Corp.*, 939 F.2d at 1572-74. The foregoing is recognized by the Federal Circuit in the "standing to sue for infringement" context, so that the reservation of a royalty and a reverter is not rendered invalid where the assignee is found to have "complete" title for standing purposes.

All of the title to the subject patents emanates from Jones and it cannot be otherwise. Thus, the terms and conditions of the Patent Rights Agreement upon which Jones transfers his ownership in the patents are critical. His assignee cannot transfer greater title than it acquired.

* * * *

CONCLUSION AND PRAYER FOR RELIEF

The Court of Appeals apparently seized upon the two words, "personal property" to cast aside long established rules of interpretation and construction, simply because those rules may also apply to real property. In fact, at several points the Court of Appeals ignored the Patent Rights Agreement and treated the patents as if they had been "found on the sidewalk" and there were no record title under federal

law. In an effort to support its faulty premise and analysis the Court of Appeals was repeatedly in error. The denial of the Application has unconstitutionally memorialized these error in the law of Texas.

* * * *

APPENDIX L

PATENT RIGHTS AGREEMENT
OCTOBER 1, 1981

THE STATE OF TEXAS §
COUNTY OF HARRIS §

PATENT RIGHT AGREEMENT

This agreement is made effective this 1st day of October, 1981, by and between MARVIN R. JONES of Houston, Texas, hereinafter referred to as "JONES", and KOOMEY BLOWOUT PREVENTERS, INC., a Texas corporation, having a place of business in Houston, Texas, hereinafter referred to as "KOOMEY".

WITNESSETH:

WHEREAS, JONES is an engineer with expertise in the design of Ram Type Blowout Preventers;

WHEREAS, JONES has made and warrants that he has made and owns, free of all encumbrances or any contractual restraints inconsistent with this Agreement, the entire right, title and interest in and to certain inventions relating to Ram Type Blowout Preventers, embodiment of which are illustrated and described upon the attached Exhibit A;

WHEREAS, KOOMEY has been organized for the purpose of manufacturing and selling Ram Type Blowout Preventers;

WHEREAS, JONES' inventions and other "Patent Rights" hereinafter defined may be essential to the development and success of KOOMEY; and

WHEREAS, KOOMEY therefore wishes to purchase, and JONES is willing to sell, such Patent Rights on the terms and conditions set forth herein.

NOW, THEREFORE, for and in consideration of the premises and mutual covenants hereinafter recited, the parties hereto agree as follows:

I.
Definitions

1.01 The term "Patent Rights" when used herein shall include, in addition to the above-mentioned inventions:

(A) The right to seek and obtain patents on said inventions in the U.S. and elsewhere throughout the world;

(B) The results of research, design and/or development work by JONES in connection with said inventions;

(C) The technical know-how which JONES possesses and KOOMEY requires in order to fully convey the benefits to and implement the use of said Inventions;

(D) "Improvement" Inventions and other "Related" Inventions for Ram Type Blowout Preventers, which are not "Improvement" Inventions but in connection with which KOOMEY acquires and exercises an option to purchase, on terms hereinafter defined, which Improvement and Related Inventions are made

by JONES, solely or jointly with others, during the term of this Agreement;

(E) The right to seek and obtain patents in the U.S. and elsewhere throughout the world on such Improvement and Related Inventions; and

(F) The results of JONES' research, design and/or development work in connection with said Improvement and Related Inventions.

An Invention shall be an "Improvement" Invention, as used herein, if it has particular utility in a Ram Type Blowout Preventer, and if a Ram Type Blowout Preventer incorporating or embodying that invention comes within a claim of a pending U.S. Patent Application or a claim of an unexpired U. S. Patent on inventions included within "Patent Rights" at the time the invention was made. An invention shall be deemed as:

(A) "Matured" when covered by an issued U. S. patent.

(B) "Maturable" when covered by a pending U. S. patent application.

(C) "Non-Maturable" when not covered by an issued U. S. patent or pending U. S. patent application.

1.02 The term "Gross Revenue" when used herein shall mean the gross sales price and gross rental charges for Ram Type Blowout Preventers, components and parts, which by virtue of its construction and/or function incorporates a Matured Invention arising out of the assigned "Patent Rights" as defined herein, less cash or trade discounts, sales commissions, installation charges, credits for returned apparatus, allowances for defective apparatus, taxes and

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transportation charges.

Assignment

2.01 JONES hereby sells, assigns, and transfers and agrees to sell, assign, and transfer to KOOMEY his entire right, title and interest in and to the above-defined "Patent Rights". The payments hereunder shall, at the end of each contract year, constitute full consideration for that portion of Patent Rights, which includes the results of research, design and/or development work by JONES up to that date.

2.02 JONES agrees to promptly disclose to KOOMEY all inventions arising under said "Patent Rights: and, further, grants to KOOMEY the exclusive option to purchase by recordable assignment each of said inventions, by notifying JONES, within three (3) months of JONES' disclosure, of its intention to do so and paying directly, in addition to other payments set forth herein, all costs, direct or indirect, or research and design and patent costs, if any, theretofore incurred with respect thereto, and all costs reasonable incurred at JONES' direction unless or until KOOMEY notifies JONES of the decision not to exercise its option. In the event KOOMEY exercises its option, it shall acquire all rights to such inventions, including the right to seek and obtain patents.

2.03 KOOMEY agrees to defend JONES or to completely indemnify him for the cost of any and all defense, including any damages which

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a court orders JONES to pay, arising from any claim by a third party contrary to JONES' ownership and right to sell "Patent Rights" to KOOMEY, as provided herein, or contrary to KOOMEY's right to make, use and sell Ram Type Blowout Preventers in accordance with the "Patent Rights", provided that JONES discloses to KOOMEY the original and development history of the Patent Rights to which such claim applies.

2.04 JONES agrees to keep confidential, and not to disclose any information relative to Patent Rights to any third party without the permission of KOOMEY, unless and until and to the extent any or all of said Patent Rights are revested in JONES, and then only such information pertinent to such revested patents.

3.

Payments

3.01 During each year of the term of this Agreement, beginning with the effective date of this Agreement, KOOMEY shall pay to JONES the greater of:

(A) $50,000.00 annually in four (4) quarterly installments of $12,500.00, each payable at the beginning of each quarter, or

(B) One-half (1/2) of one (1) percent of the Gross Revenues, as previously defined, for that year.

3.02 In the event that JONES shall be a co-inventor with a KOOMEY employee or employees other than JONES of an invention included

within Patent Rights, payment to JONES which arise only by virtue of the incorporation of such invention shall be that percentage of one-half (1/2) of one percent of such Gross Revenues, which his contribution bears to the total number of co-inventors. In special circumstances where one or more of the co-inventors' contribution is only incidental with respect to the total invention, the percentage contribution shall be determined by negotiation, or, failing that, by an arbitration panel of three (3) qualified but disinterested persons, one (1) selected by JONES, and one (1) selected by KOOMEY, and the third selected by the first two (2) arbitrators. Notwithstanding any part of this Paragraph, payments which arise solely by virtue of the incorporation of such invention shall be not less than one quarter (1/4) of one (1) percent of the "Gross Revenue", as defined herein.

3.03 In the event that KOOMEY shall license its patents under this agreement to any unrelated third party, then KOOMEY shall pay over to JONES forty percent (40%) of all patent royalty payments received from the licensee for the life of the relevant patent or patents, and in no event less than one half of one (1) percent of the Gross Revenues of the licensee. Notwithstanding any provision of this paragraph, the compensation to JONES under the 40% of payment mode or the percentage gross of revenue mode, shall be reduced percentage-wise by the provisions of paragraph 3.02 to the extent that is applicable.

Expenses

4.01 JONES shall select and direct his patent counsel in preparing and presenting Patent Applications and obtaining and maintaining Patents, on inventions included within "Patent Rights", in the U.S. and other countries, all reasonable expenses to be paid by KOOMEY unless or until

KOOMEY at its option terminates its rights under such patent applications. As provided in 7.04, and such counsel shall provide JONES as well as KOOMEY with complete files for all such Patent Applications files, furnishing promptly copies of all Patent Office Actions, all Amendments filed, and all correspondence relating to such Applications included within "Patent Rights".

4.02 KOOMEY agrees to reimburse JONES or pay directly for all direct out-of-pocket expense incurred in assisting patent counsel in connection with 4.01 above, including travel expense and other directly related expenses. JONES agrees that he is not entitled to any compensation for time spent in study, research, experimentation, or any other activity leading to the development of "Patent Rights" involving Improvement and Related Inventions.

5.
Infringement

5.01 KOOMEY shall have the sole and exclusive right to file and prosecute, at its option, suits for infringement of patents included within "Patent Rights", and to join JONES as a party, if KOOMEY so desires, all at KOOMEY's expense. With the exception noted in 5.03, KOOMEY may retain all damages awarded KOOMEY as a result of such suit.

5.02 JONES agrees to furnish at KOOMEY's request technical advice to trial counsel and expert testimony, without recompense except for travel and directly related out-of-pocket expenses.

5.03 JONES shall be entitled to one-half (1/2) of one (1) percent of amounts received by KOOMEY for alleged infringement of a patent included in "Patent Rights",

whether by way of court awarded damages or settlement, less KOOMEY's cost in obtaining such award or settlement.

6.
Reports and Accounting

6.01 KOOMEY agrees to make full reports to JONES within thirty (30) days after March 31, June 30, September 30 and December 31 of each year during the term of this Agreement, showing the information upon which the payments herein provided are calculated, and to accompany each such report with the payment shown to be due thereby.

6.02 JONES shall have the right to have his representative inspect and audit the books and records of KOOMEY that pertain to the sales, rentals, and leases of apparatus covered by the "Patent Rights" transferred hereby by JONES, at any time during usual business hours of KOOMEY for the purpose of, but only to the extent necessary for, determining payments due under this Agreement.

7.
Term

7.01 The term of this Agreement shall be from the effective date hereof for a period of fifteen (15) years, or for so many years thereafter that one of more U.S. Patents included in "Patent Rights" is unexpired and has not had all of its claims found to be invalid, unless sooner terminated as set forth below.

7.02 If KOOMEY is in default in the making of payments and/or rendering of reports, or in connection with any other provision of this Agreement, and such default continues for sixty (60) days after actual or constructive receipt of notice of such default, JONES may terminate this Agreement. Alternatively, JONES may take any course of

action to recover from KOOMEY all payments due him under this Agreement, which Agreement shall, in that latter event, remain in full force and effect, unless and until KOOMEY is again in default.

7.03 In the event of termination of this Agreement for any reason whatsoever, KOOMEY shall not thereby be discharged from any liability or obligation to JONES which accrued on or prior to the date of such termination, and in the event of termination by reason of a KOOMEY non-payment default or other uncured default, KOOMEY agrees to execute necessary documents to revest title in all Patent Applications and issued Patents, if any, in favor of JONES.

7.04 Notwithstanding anything else set forth in this Agreement, KOOMEY shall have the right to terminate its rights to one or more Matured or Maturable Inventions, at any time, by giving JONES written notice of KOOMEY's intention not to proceed with the manufacture and sale of Ram Type Blowout Preventers incorporating said Matured or Maturable Inventions, as defined herein. Termination under this Paragraph shall automatically revest title to such Matured or Maturable inventions in JONES, and KOOMEY agrees to execute all documents necessary to revest said rights in JONES, except that JONES shall have no right to use or authorize others to use drawings and other data containing the results of JONES's research, design and/or development work, which have been assigned to KOOMEY pursuant to 2.01 hereof.

KOOMEY shall further have the right to terminate its right to all non-Maturable inventions which, if exercised, shall terminate the $50,000 minimum annual payment obligation at the next anniversary of this Agreement and concurrently terminate JONES' obligation to disclose and assign Patent Rights to inventions thereafter conceived by JONES.

7.05 In the event that KOOMEY terminates all non-maturable rights, pursuant to 7.04, and, as of the next contract anniversary, three years have passed since the filing date of one or more non-terminated Maturable or Matured Inventions, then all of such three year old Maturable or Matured Inventions shall be revested in JONES by reassignment, unless payments to JONES during each successive contract year produce at least $50,000.00 or, if said payments shall be less than $50,000, such revestment may, at KOOMEY's option, be deferred from year to year by the payment to JONES of a total of $50,000.00 per annum including gross revenue payment, if any, under this Agreement, payable with the final fourth quarter report for the applicable year. Alternatively, at KOOMEY's election in writing within thirty days after the end of the prior contract year, KOOMEY shall, without any obligations for a minimum payment, be entitled to a non-exclusive license subject to the same percentage gross revenue payments, out of such patents which have revested in JONES under this paragraph.

7.06 This Agreement shall, unless terminated by JONES as aforesaid, survive the "Employment Agreement" entered into this same date between KOOMEY and JONES.

8.
Notices

8.01 The payments to be made hereunder to JONES shall be made by mailing checks for the required amount to JONES' address. Notices provided for hereunder shall effectively be given by mailing the same, properly addressed, by Certified Mail Return Receipt Requested. For the purpose of making payments and giving notices, the addresses of the parties hereto are as follows:

Marvin R. Jones
414 Flintdale
Houston, Texas 77024

Koomey Blowout Preventers, Inc.
9997 Hempstead Road
P. O. Box 42808-AA
Houston, Texas 77042

or to such addresses as either party may furnish the other hereto in writing.

Assignability of Proceeds

9.01 This Agreement shall not be assignable by JONES during his lifetime, except that payments shall be assignable at the election of JONES upon written notice to KOOMEY.

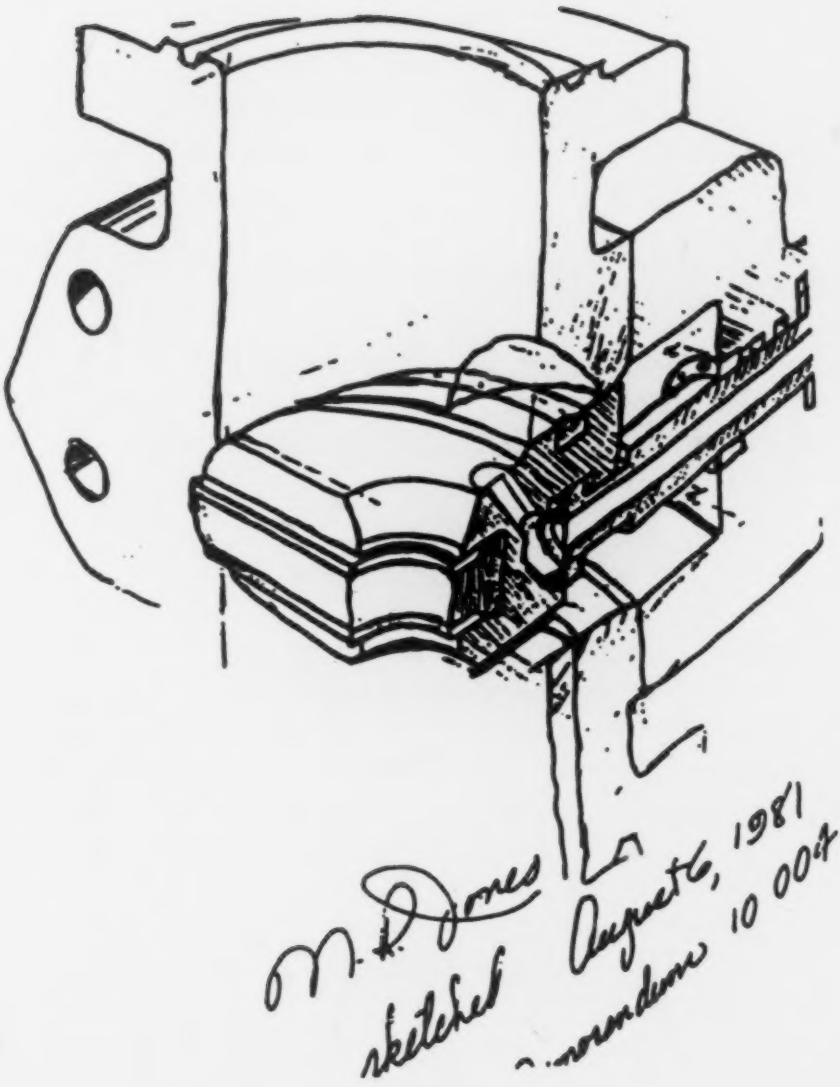
10.
Miscellaneous

10.01 It is understood that this Agreement contains the entire agreement between the parties hereto, and this Agreement shall be binding upon and inure to the benefit of JONES, his heirs and representatives, and shall be binding upon and inure to the benefit of KOOMEY, its subsidiaries, successors, assigns or licensees.

EXECUTED in duplicate originals.

/s/ Marvin R. Jones
Marvin R. Jones

/s/ Paul C. Koomey
KOOMEY BLOWOUT PREVENTERS, INC.
By: PAUL C. KOOMEY, President


M. Dones
sketched August 6, 1981
New York 10 003